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If you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult your licensed securities dealer or other registered securities institution, bank manager, solicitor, professional accountant or other professional adviser. If you have sold or transferred all your shares in the Company, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered securities institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SY INTERNATIONAL LTD.
a wholly-owned subsidiary of
Sanyang Motor Co., Ltd.

三陽工業股份有限公司

(Incorporated in Taiwan with limited liability)

(TWSE Stock Code: 2206)

VMEPH
V i e t n a m
Vietnam Manufacturing and Export
Processing (Holdings) Limited

越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

**(1) PROPOSED PRIVATISATION OF VIETNAM MANUFACTURING AND EXPORT
PROCESSING (HOLDINGS) LIMITED BY SY INTERNATIONAL LTD.
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86
OF THE COMPANIES LAW OF THE CAYMAN ISLANDS
AND**

(2) PROPOSED WITHDRAWAL OF LISTING

Joint Financial Advisers to SY International Ltd.



Independent Financial Adviser to the Independent Board Committee



RAINBOW CAPITAL (HK) LIMITED
溢博資本有限公司

This Scheme Document is being issued jointly by the Offeror and the Company. The actions to be taken by the Shareholders are set out in Part II of this Scheme Document. Notices convening the Court Meeting to be held at 10:00 a.m. on Monday, 14 September 2020, and the EGM to be held at 11:00 a.m. on Monday, 14 September 2020 (or as soon as after the Court Meeting has been concluded or adjourned) are set out in Appendix IV and Appendix V to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and return them to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated in the relevant form of proxy or Part II of this Scheme Document. If the **pink** form of proxy in respect of the Court Meeting is not so lodged, it may also be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it).

Unless the context requires otherwise, capitalized terms used in this Scheme Document take the meanings ascribed to them in Part I of this Scheme Document under the section headed "Definitions". This Scheme Document comprises also (1) a letter from the Board regarding the Proposal as set out in Part IV of this Scheme Document; (2) a letter from the Independent Board Committee, containing its advice to the Independent Shareholders regarding the Proposal, as set out in Part V of this Scheme Document; (3) a letter from Rainbow Capital, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee regarding the Proposal, as set out in Part VI of this Scheme Document; and (4) an Explanatory Statement regarding the Proposal as set out in Part VII of this Scheme Document. The English language text of this Scheme Document shall prevail over the Chinese text for the purpose of interpretation.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND EGM

Please see page 32 of this Scheme Document for measures being taken to try to prevent and control the spread of the novel coronavirus ("COVID-19") at the Court Meeting and EGM, including:

- **Compulsory temperature checks**
- **Compulsory wearing of surgical face masks**
- **No distribution of refreshments**

Any person who does not comply with the precautionary measures may be denied entry into the Court Meeting and EGM venue. In order to facilitate the prevention and control of the coronavirus disease, and to safeguard the health and safety of the Shareholders, the Company strongly advises the Shareholders, particularly the Shareholders who are unwell and or subject to quarantine in relation to COVID-19, that they may appoint any person (including Chairman of the relevant meeting) as a proxy to vote on the resolutions, instead of attending the Court Meeting and EGM in person. Physical attendance in the Court Meeting or the EGM by a Shareholder is not necessary for the purpose of exercising voting rights.

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In this Scheme Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement dated 5 June 2020 jointly issued by the Offeror and the Company in relation to the Proposal
“Announcement Date”	5 June 2020, being the date of the Announcement
“associates”	has the meaning ascribed to it in the Takeovers Code
“Beneficial Owner”	any beneficial owner of relevant Shares
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.45 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme for every Scheme Share cancelled and extinguished
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant
“China Tonghai”	China Tonghai Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and joint financial adviser to the Offeror
“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 (stock code: 422)
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Court Meeting”	a meeting of the Independent Shareholders convened at the direction of the Grand Court at which the Scheme will be voted upon
“Custodian Bank”	Citibank N.A., Hong Kong
“Depository Agent”	Yuanta Commercial Bank Co., Ltd, which issued the TDR as an agent of the Company
“Depository Agreement”	the depository agreement dated 30 September 2009 entered into between the Company and Ta Chong Commercial Bank Co., Ltd (which has ceased operation and merged into Yuanta Commercial Bank Co., Ltd since 1 January 2018)
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the order of the Grand Court sanctioning the Scheme and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law, and which is expected to be Tuesday, 6 October 2020 (Cayman Islands time) and Wednesday, 7 October 2020 (Hong Kong time)
“EGM”	an extraordinary general meeting convened by the Company for the Shareholders to consider and, if thought fit, approve, among others, (i) a special resolution in relation to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; (ii) a special resolution in relation to the withdrawal of listing of the Shares upon the Scheme becoming effective; and (iii) an ordinary resolution in relation to the restoration of the number of issued Shares in the share capital of the Company to its former amount by the issue of the same number of Shares as the number of the Scheme Shares cancelled and extinguished, credited as fully paid, to the Offeror
“EGM Record Date”	Monday, 14 September 2020, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM
“EGM Record Date for TDR Holders”	Wednesday, 26 August 2020, or such other date as may be announced to the TDR Holders, being the record date for the purpose of determining the entitlement of the TDR Holders to vote through the Depository Agent at the EGM
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof

“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, which comprises three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei, to make a recommendation to the Independent Shareholders, in respect of, among others, the Proposal and the Scheme, respectively
“Interested Directors”	Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“KPMG”	KPMG Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and joint financial adviser to the Offeror
“Latest Practicable Date”	11 August 2020, being the latest practicable date for the purposes of ascertaining certain information for inclusion in this Scheme Document
“Last Trading Day”	26 May 2020, being the last trading day on which the Shares were traded on the Stock Exchange prior to the publication of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2020, or such later date as may be agreed between the Offeror and the Company, subject to approval by KPMG and China Tonghai, or to the extent applicable, as the Executive may consent and as the Grand Court on application of the Offeror or the Company may allow

“Meeting Record Date”	the EGM Record Date and/or the Scheme Court Meeting Record Date (as the case may be)
“Meeting Record Date for TDR Holders”	the EGM Record Date for TDR Holders and/or the Scheme Court Meeting Record Date for TDR Holders (as the case may be)
“Offer Period”	the period commencing on the Announcement Date and as defined in the Takeovers Code
“Offeror”	SY International Ltd., a company incorporated in Samoa with limited liability and a controlling shareholder of the Company
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including the Interested Directors, KPMG and China Tonghai
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
“Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser in respect of the Proposal and the Scheme appointed by the Company with the approval of the Independent Board Committee
“Registered Owner”	any owner of relevant Shares (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) entered in the register of members of the Company
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on 5 December 2019 (being the date falling six (6) months prior to the Announcement Date) and ending on the Latest Practicable Date, both dates inclusive
“Sanyang”	Sanyang Motor Co., Ltd. (三陽工業股份有限公司), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 2206), and is the ultimate controlling shareholder of the Company and the sole shareholder of the Offeror
“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law (subject to satisfaction (or waiver as applicable) to the Scheme Conditions) involving the cancellation and reduction of all the Scheme Shares and the restoration of the number of issued Shares in the share capital of the Company to the amount immediately before the cancellation and reduction of the Scheme Shares

“Scheme Conditions”	the conditions to the implementation of the Proposal as set out in the section headed “the Scheme Conditions” in Part IV and Part VII of this Scheme Document
“Scheme Court Meeting Record Date”	Monday, 14 September 2020, or such other date as may be announced to, among others, the Independent Shareholders, being the record date for the purpose of determining the entitlement of the Independent Shareholders to attend and vote at the Court Meeting
“Scheme Court Meeting Record Date for TDR Holders”	Wednesday, 26 August 2020, or such other date as may be announced to the TDR Holders, being the record date for the purpose of determining the entitlement of the TDR Holders to vote through the Depository Agent at the Court Meeting
“Scheme Document”	this composite scheme document of the Company and the Offeror issued to all Shareholders containing, inter alia, further details of the Proposal
“Scheme Record Date”	Tuesday, 6 October 2020, the date on which the Scheme becomes effective or such other date as shall have been announced to the Independent Shareholders, being the record date for the purpose of determining the entitlement of the Independent Shareholders to the Cancellation Price upon the Scheme becoming effective
“Scheme Record Time”	4:00 p.m. (Hong Kong time) on the Scheme Record Date
“Scheme Share(s)”	Share(s) other than those directly or indirectly held by the Offeror and the Offeror Concert Parties as at the Scheme Record Time on the Scheme Record Date
“Scheme Shareholder(s)”	holders of Scheme Shares as at the Scheme Record Time on the Scheme Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 par value each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Stock Exchange” or “TWSE”	Taiwan Stock Exchange Corporation
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong

“trading day(s)”	day(s) on which the Stock Exchange is/are open for the business of dealings in securities
“TDR”	the Taiwan depository receipts, each unit of which represents two Shares, issued by the Depository Agent and are listed on the Taiwan Stock Exchange (Taiwan Depository Receipts Code: 9110)
“TDR Holders”	holders of the TDR other than the Offeror and the Offeror Concert Parties
“US\$”	United States dollar(s), the lawful currency of the United States
“VND”	Vietnamese Dong, being the lawful currency of Vietnam

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Court Meeting hearing of the petition to sanction the Scheme and to confirm the reduction of the number of issued Shares in the share capital of the Company, and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

For the purpose of this Scheme Document, unless the context otherwise requires, the conversion of VND into HK\$ is based on the approximate exchange rate of VND10,000 to HK\$3.34 and US\$ into HK\$ is based on the approximate exchange rate of US\$1 to HK\$7.75. The exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$, VND or US\$ have been, could have been or may be converted at such or any other rate or at all.

ACTIONS TO BE TAKEN BY THE SHAREHOLDERS

For the purpose of determining the entitlements of the Independent Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM, the register of members of the Company in respect of the Shares will be closed from Wednesday, 9 September 2020 to Monday, 14 September 2020 (both dates inclusive) and during such period, no registration of transfer of the Shares will be effected. In order to qualify to attend and vote at the Court Meeting and the EGM, all transfers of the Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Tuesday, 8 September 2020.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the relevant Registered Owners.

The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Independent Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. **This book close period is not for determining entitlements under the Proposal.**

Whether or not you are able to attend the Court Meeting and/or the EGM, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Saturday, 12 September 2020 or be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it), and the **white** form of proxy for use at the EGM should be lodged not later than 11:00 a.m. on Saturday, 12 September 2020. The completion and return of the relevant form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM if, among other things, the relevant resolutions are passed by the requisite majorities of Independent Shareholders or Shareholders. We wish to remind you that physical attendance in person at the Court Meeting and EGM is not necessary for the purpose of exercising your voting rights. We strongly advise you, particularly if you are unwell or subject to quarantine in relation to COVID-19, that you may appoint any person as a proxy to vote on the resolutions, instead of attending the Court Meeting and EGM in person.

Voting at the Court Meeting and the EGM will be taken by poll.

The Company will make an announcement in relation to the results of the Court Meeting and the EGM not later than 7:00 p.m. on Monday, 14 September 2020. The Company will make further announcements of the results of the hearing of the petition to, among other things, sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

ACTIONS TO BE TAKEN BY TDR HOLDERS

The TDR Holders have the right to convert their TDR into Shares. There is a time restriction for the TDR Holders to voluntarily exercise their right to convert the TDR into Shares. The TDR Holders may submit conversion applications to convert their TDR into Shares until 3:00 p.m. on 20 August 2020. 20 August 2020 is the latest date for the TDR Holders to submit conversion applications for the Depository Agent to then carry out internal conversion procedures and the conversion from TDR to Shares will be completed and settled within 2 Business Days of the conversion application. During the period from 21 August 2020 to 14 September 2020 (both dates inclusive), no application of conversion, transfer or issuance of the TDR will be accepted, and the Register of TDR Holders in Taiwan will be closed from 26 August 2020.

The TDR Holders automatically lose their right to exercise their voting rights attached to the underlying Shares once their TDR have been converted into Shares, but shall still exercise their voting rights of the Shares converted from the TDR. The Depository Agent will only distribute the Scheme Document to the TDR Holders listed in the Register of TDR Holders in Taiwan and collect their voting instructions on or after 26 August 2020. Once the conversion applications are submitted and the TDR Holders' relevant TDR are converted, the Depository Agent will not process their voting instructions given they are no longer listed on the Register of TDR Holders in Taiwan.

ACTIONS TO BE TAKEN BY PERSONS HOLDING SHARES THROUGH TRUST OR CCASS

The Company will not recognize any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM. Such instructions should be given in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its proxy. To the extent that any Registered Owner requires instructions from any Beneficial Owner in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with other CCASS Participant, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees Limited with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with instructions received from CCASS Participants (as defined under the General Rules of CCASS). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting and the EGM. You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE COMPANY AND THE OFFEROR STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, WE URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, WE ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES LIMITED WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES LIMITED IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND THE EGM WITHOUT DELAY (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN BY PERSONS HOLDING SHARES THROUGH TRUST OR CCASS” ABOVE). IF YOU ARE AN INDIVIDUAL SHAREHOLDER WHO WISHES TO ATTEND AND VOTE AT THE COURT MEETING AND/OR THE EGM AND FOR YOUR VOTES TO BE COUNTED INDIVIDUALLY FOR THE PURPOSE OF CALCULATING THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING AND/OR THE NUMBER OF VOTES FOR PASSING THE RESPECTIVE RESOLUTIONS AT THE EGM, YOU SHOULD WITHDRAW YOUR SHARES FROM CCASS AND BECOME A REGISTERED OWNER OF SUCH SHARES.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

The following timetable takes into account the procedures of the Grand Court for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.

Event	Date
Despatch of this Scheme Document (<i>Note 1</i>)	Friday, 14 August 2020
Latest time of conversion of the TDRs into Shares	3:00 p.m. on Thursday, 20 August 2020
Register of TDR Holders in Taiwan in respect of the TDRs closed for determining the entitlement of TDR Holders to vote through the Depository Agent at the Court Meeting and the EGM.	Wednesday, 26 August 2020
Latest time for lodging transfers of Shares in order to become entitled to vote at the Court Meeting and the EGM	4:30 p.m. on Tuesday, 8 September 2020
Register of members of the Company in respect of the Shares closed for determining the entitlement of Independent Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM (<i>Note 2</i>)	Wednesday, 9 September 2020 to Monday, 14 September 2020 (both dates inclusive)
Latest time for lodging the pink form of proxy in respect of the Court Meeting (<i>Note 3</i>).	10:00 a.m. on Saturday, 12 September 2020
Latest time for lodging the white form of proxy in respect of the EGM (<i>Note 3</i>)	11:00 a.m. on Saturday, 12 September 2020
Meeting Record Date	Monday, 14 September 2020
Court Meeting (<i>Note 4</i>).	10:00 a.m. on Monday, 14 September 2020
EGM (<i>Note 4</i>)	11:00 a.m. on Monday, 14 September 2020 (or as soon as after the Court Meeting shall have been concluded or adjourned)

Event	Date
Announcement of the results of the Court Meeting and the EGM	not later than 7:00 p.m. on Monday, 14 September 2020
Notifying the Taiwan Stock Exchange in respect of Shareholders' approval at the EGM of the withdrawal of the TDR.	Monday, 14 September 2020
Latest time of trading in the TDR on the Taiwan Stock Exchange	1:30 p.m. on Tuesday, 15 September 2020
Latest time of trading in the Shares on the Stock Exchange	4:10 p.m. on Tuesday, 15 September 2020
Latest time for lodging transfers of Shares in order to qualify for the entitlements under the Scheme	4:30 p.m. on Friday, 18 September 2020
Register of members of the Company in respect of the Shares closed for determining entitlements to qualify under the Scheme (<i>Note 5</i>).	from Monday, 21 September 2020 onwards
Court hearing of the petition to sanction the Scheme and to confirm the reduction of the number of issued Shares.	Friday, 25 September 2020 (Cayman Islands time)
Announcement of the result of the Court hearing, the expected Effective Date and the expected date of withdrawal of listing of the Shares on the Stock Exchange	Wednesday, 30 September 2020
Scheme Record Date	Tuesday, 6 October 2020
Effective Date (<i>Note 6</i>).	Tuesday, 6 October 2020 (Cayman Islands time) Wednesday, 7 October 2020 (Hong Kong time)
Announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange	Wednesday, 7 October 2020
Announcement of the withdrawal of listing of the TDRs on the Taiwan Stock Exchange.	Wednesday, 7 October 2020
Expected withdrawal of listing of the Shares on the Stock Exchange becomes effective (<i>Note 7</i>)	4:00 p.m. on Thursday, 8 October 2020

Event	Date
Register of TDR Holders in Taiwan in respect of the TDR closed for determining entitlements to qualify under the Scheme	from Thursday, 8 October 2020 onwards
Expected withdrawal of listing of the TDRs on the Taiwan Stock Exchange becomes effective.	Thursday, 8 October 2020
Expected termination of the listing agreement entered into among the Company, the Depository Agent and the Taiwan Stock Exchange	Thursday, 8 October 2020
Cheques for cash entitlements under the Scheme to be despatched (<i>Note 8</i>)	on or before Thursday, 15 October 2020

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

1. The Scheme Document will be made available online on the Market Observation Post System of TWSE on Friday, 14 August 2020 to all TDR Holders. On Wednesday, 26 August 2020, the Depository Agent will despatch hard copies of the Scheme Document to the TDR Holders named on the Register of TDR Holders in Taiwan dated 26 August 2020.
2. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Independent Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. This book close period is not for determining entitlements under the Proposal.
3. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed on them and should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than the respective times and dates stated above or, in the case of the **pink** form of proxy for use at the Court Meeting, they may be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it). Completion and return of the relevant form of proxy for the Court Meeting and/or the EGM will not preclude an Independent Shareholder or a Shareholder, from attending the meeting and voting in person. In such event, the relevant form of proxy returned will be deemed to have been revoked.
4. Please see the notice of the Court Meeting set out in Appendix IV to this Scheme Document and the notice of the EGM set out in Appendix V to this Scheme Document.
5. The register will be closed as from such date and on such date for the purpose of determining the Independent Shareholders who are qualified for entitlement under the Scheme.
6. When all the Scheme Conditions (other than delivery of the order for registration) are satisfied or waived (as applicable), the order sanctioning the Scheme may be delivered to the Registrar of Companies in the Cayman Islands at which point it will become effective and binding on the Offeror, the Company and all the Scheme Shareholders. The Effective Date would be earlier than the date of announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange due to the timing difference between Hong Kong and Cayman Islands.
7. If all the Scheme Conditions are fulfilled (or waived as applicable), the Offeror will implement the Proposal to cancel and extinguish the Scheme Shares and the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange.
8. Cheques for the cash entitlements to the Scheme Shareholders will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Thursday, 15 October 2020.

All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.

VMEPH
V i e t n a m**Vietnam Manufacturing and Export Processing (Holdings) Limited****越南製造加工出口(控股)有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 422)***Executive Directors:*

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

Non-executive Directors:

Mr. Chiu Ying Feng
Ms. Wu Li Chu

Independent non-executive Directors:

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

Registered office:

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

Head office:

Section 5, Tam Hiep Ward, Bien Hoa City
Dong Nai, Vietnam

Principal place of business in Hong Kong:

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

14 August 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF VIETNAM MANUFACTURING AND
EXPORT PROCESSING (HOLDINGS) LIMITED BY SY INTERNATIONAL LTD.
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86
OF THE COMPANIES LAW OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

On 26 May 2020, the Offeror requested the Board to put forward the Proposal, which will involve the Scheme to cancel and extinguish the Scheme Shares and the payment of the Cancellation Price to Scheme Shareholders, and the withdrawal of the listing of the Shares on the Stock Exchange. The Proposal will be carried out by way of a scheme of arrangement under Section 86 of the Companies Law.

If the Scheme is approved and the Proposal is implemented, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out in Part V of this Scheme Document, the letter from Rainbow Capital set out in Part VI of this Scheme Document, the Explanatory Statement set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix III to this Scheme Document.

2. THE PROPOSAL

The Scheme

Under the Scheme, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$0.45 in cash for each Scheme Share cancelled and extinguished.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The Cancellation Price of HK\$0.45 per Scheme Share cancelled and extinguished represents:

- a premium of approximately 7.1% over the closing price of HK\$0.420 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 163.2% over the closing price of HK\$0.171 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 167.1% over the average closing price of approximately HK\$0.169 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 161.4% over the average closing price of approximately HK\$0.172 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 146.7% over the average closing price of approximately HK\$0.182 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- a premium of approximately 134.1% over the average closing price of approximately HK\$0.192 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 123.1% over the average closing price of approximately HK\$0.202 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 117.4% over the average closing price of approximately HK\$0.207 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a discount of approximately 18.4% over the audited consolidated net asset value after deducting non-controlling interests (the “NAV”) per Share of approximately HK\$0.551 as at 31 December 2019, calculated based on the NAV of the Group of approximately US\$64,560,788 (equivalent to approximately HK\$500,346,107) and the 907,680,000 Shares in issue as at the Latest Practicable Date; and
- a discount of approximately 12.3% over the unaudited consolidated NAV per Share of approximately HK\$0.513 as at 30 June 2020, calculated based on the unaudited NAV of the Group of approximately US\$60,081,397 (equivalent to approximately HK\$465,630,827) and the 907,680,000 Shares in issue as at the Latest Practicable Date.

The Cancellation Price has been determined on an arm’s length basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic trended prices of the Shares, publicly available financial information of the Company, and other privatisation transactions in Hong Kong in recent years.

Highest and lowest prices of the Shares

During the 3 years ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.480 on 2 June to 23 June, 17 July, 18 July, 21 July, 24 July, 31 July, 4 August, 9 August and 10 August, 2017 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.163 on 18 May 2020.

Trading volume and liquidity of the Shares

The trading volume and liquidity of the Shares during the relevant periods prior to and including the Last Trading Day are illustrated below:

- on the Latest Practicable Date, a total number of approximately 264,000 Shares, representing approximately 0.029% of the issued Shares as of Latest Practicable Date, were traded with a turnover of approximately HK\$110,880;
- on the Last Trading Day, a total number of approximately 800,000 Shares, representing approximately 0.088% of the issued Shares as of Last Trading Day, were traded with a turnover of approximately HK\$136,171;
- during the period from the last 10 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 231,100 Shares, representing approximately 0.025% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$39,117;

- during the period from the last 30 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 141,933 Shares, representing approximately 0.016% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$24,201;
- during the period from the last 60 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 111,317 Shares, representing approximately 0.012% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$19,802;
- during the period from the last 90 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 112,556 Shares, representing approximately 0.012% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$20,838;
- during the period from the last 120 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 101,918 Shares, representing approximately 0.011% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$19,574;
- during the period from the last 180 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 148,495 Shares, representing approximately 0.016% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$31,020;

During the period from the last 180 trading days up to and including the Last Trading Day, there was no trading of the Shares on 44 trading days, representing approximately 24.44% of the total number of trading days during that period.

The Scheme Conditions

The implementation of the Proposal is, and the Scheme will become effective and binding on the Offeror, the Company and the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than 75% in value of the Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting;

- (b) (i) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Shares held by all the Independent Shareholders;
- (c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter increase the issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the number of issued Shares in the share capital of the Company referred to in paragraph (c)(i) above;
- (f) all authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal required before the Scheme becoming effective having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;

- (g) all authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal required before the Scheme becoming effective remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) all necessary consents which may be required for the implementation of the Proposal under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or its implementation in accordance with its terms) from the Announcement Date up to the date when all the Scheme Conditions are satisfied or validly waived (as applicable), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal;
- (j) there being no provision of any arrangement, agreement, licence or other instrument to which any member of the Group is a party or by or to which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Proposal could or might reasonably result in, to an extent which is material in the context of the Group taken as a whole from the Announcement Date up to the date when all the Scheme Conditions are satisfied or validly waived (as applicable):
 - (i) any monies borrowed by or other indebtedness (actual or contingent) of any member of the Group being repayable or being capable of being declared payable prior to their stated maturity;
 - (ii) the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the Group or any such security (whether arising or having arisen) becoming enforceable; and
 - (iii) any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or any material action being taken or any material obligation arising thereunder; and

- (k) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the Group from the Announcement Date up to the date when all the Scheme Conditions are satisfied or validly waived (as applicable).

The Offeror reserves the right to waive Scheme Conditions (f) to (k) either in whole or in part, either generally or in respect of any particular matter. Scheme Conditions (a) to (e) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Scheme Conditions. All of the above Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will lapse. When all the Scheme Conditions are satisfied or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all the Scheme Shareholders.

Assuming that the Scheme Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on 6 October 2020 (Cayman Islands Time) and 7 October 2020 (Hong Kong Time). A detailed timetable is set out in Part III of this Scheme Document.

In respect of Scheme Conditions (f) to (h), apart from the Scheme Condition (d) and the approval from each of the board of directors of Sanyang, the Offeror and the Company in respect of the implementation of the Proposal, the Offeror is not currently aware of any other authorisations or consents which are required. As at the Latest Practicable Date, the approvals from each of the board of directors of Sanyang, the Offeror and the Company in respect of the implementation of the Proposal have been obtained. None of the above Scheme Conditions have been fulfilled or waived as at the Latest Practicable Date.

WARNING

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal is subject to the Scheme Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

3. REASONS FOR AND BENEFITS OF THE PROPOSAL

The Proposal represents a good opportunity for the Scheme Shareholders to realise their investment with a significant premium against the backdrop of low liquidity

The Offeror considers that the Proposal will provide Scheme Shareholders with an opportunity to realise their investment in the Company at a price significantly above the prevailing market price of the Shares in light of the challenging and uncertain operating environment faced by the Company.

The Cancellation Price, being HK\$0.45 per Share, represents a premium of approximately 163.2% over the closing price of HK\$0.171 per Share as quoted on the Stock Exchange on the Last Trading Day. It also represents a premium of approximately 161.4%, 134.1% and 117.4% over the average closing price of approximately HK\$0.172, HK\$0.192 and HK\$0.207 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30, 90 and 180 trading days up to and including the Last Trading Day, respectively.

During the one year up to and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.163 and HK\$0.265, respectively. The Cancellation Price represents a premium of approximately 176.1% over the lowest closing price and a premium of approximately 69.8% over the highest closing price in the above period.

The liquidity of Shares has been at a relatively low level over a long period of time. The average daily trading volume of the Shares for the one year up to and including the Last Trading Day was approximately 125,522 Shares per day, representing only approximately 0.014% of the issued Shares as of the Last Trading Day and average daily turnover of approximately HK\$26,709. The low trading liquidity of the Shares makes it difficult for Shareholders to execute on-market disposals without adversely affecting the share price of the Company.

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

Cost and expenses of maintaining the Company's listing status

To maintain its listed status, the Company faces administrative and compliance burdens, as well as related costs and expenses. Since its listing, the listing platform of the Company has not been utilized for any material external equity fund raising activities. Due to the illiquidity in trading of the Shares and the general decreasing trend in stock price of the Shares in recent years in the trading of the Shares, it is difficult to raise funds through equity financing, and the Offeror believes the position is unlikely to improve significantly in the near future. As such, the Offeror considers the administrative and compliance costs and management resources associated with maintaining the Company's listing status are no longer justified.

Furthermore, following the implementation of the Proposal, the Company can be relieved from market expectations and share price fluctuation as a publicly listed company. The management of the Company can also utilize the resources which would otherwise go towards administrative, compliance and other listing-related matters of the Company on business operations of the Group.

The Proposal will enable the Group to execute its strategies more efficiently and effectively

The principal activities of the Group are the manufacturing and sale of scooters, cub motor bikes, engines and related parts. The products are mainly distributed domestically in Vietnam and exported to other Southeast Asia countries. The motorbike industry has been experiencing a number of challenges including intensified price competition by other market players that seize market share in Vietnam aggressively, the continued decrease in export sales in Southeast Asia due to the import of low-priced motorbikes from China, increasing sales requirements such as smaller order sizes and quicker turnaround time that undermined economies of scale, rising costs of labour and raw materials in Vietnam, and tightened regulatory controls in Vietnam including air pollution standards for vehicles and motorbikes. All the above have contributed to the continued net losses of the Group in recent years. In order to achieve long-term commercial development and maintain competitiveness, the Group needs to reassess its strategies and implement necessary changes to its business model.

In response to the tough business environment, the Group has been reviewing its business operation and strategies, and with the Proposal being implemented, the Group will be in a better position to execute its business strategies more efficiently and effectively as a private entity. With the Company becoming an unlisted wholly-owned subsidiary of Sanyang, the Offeror considers it will help improving the Company's operational efficiency and achieve economies of scale, for example through resources sharing with Sanyang such as sharing of expertise, hence achieving cost savings.

4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

The Proposal will involve the cancellation and extinguishment of the Scheme Shares at the Cancellation Price of HK\$0.45 per Scheme Share cancelled and extinguished. As at the Latest Practicable Date, there are 907,680,000 Shares in issue of which the Offeror holds an aggregate of 608,818,000 Shares (representing approximately 67.07% of the issued share capital of the Company), and there are 298,862,000 Scheme Shares in issue, including the 107,877,000 Shares held by the TDR Holders. There are no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

The amount of cash required for the Scheme is approximately HK\$134.5 million.

The Offeror intends to finance the cash required for the Proposal through its internal cash resources. China Tonghai, a financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares, and the Company has 907,680,000 Shares in issue.

The table below sets out the simplified shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) on the basis that the Scheme becomes effective, immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Upon completion of the Proposal	
	<i>Approximate% of the issued Number of share capital of Shares the Company (Note 1)</i>		<i>Approximate% of the issued Number of share capital of Shares the Company (Note 1)</i>	
The Offeror and the Offeror Concert Parties (Note 2)	608,818,000	67.07	907,680,000	100.00
Total number of Scheme Shares held by the Independent Shareholders (Note 3)	298,862,000	32.93	–	–
Total	907,680,000	100.00	907,680,000	100.00

Notes:

- (1) All percentages in the above table are approximations.
- (2) All such Shares are held by the Offeror, and the Offeror Concert Parties have no shareholding interest in the Company.
- (3) The Company has issued 53,938,500 units of TDR representing 107,877,000 Shares. As at the Latest Practicable Date, neither the Offeror nor the Offeror Concert Parties hold any units of such TDR.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. The Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares as at the Latest Practicable Date.

6. FINANCIAL INFORMATION OF THE GROUP

Based on the published audited consolidated financial statements of the Company, the loss before and after taxation and total comprehensive income attributable to equity shareholders of the Company for the six months ended 30 June 2020 and for the two financial years ended 31 December 2018 and 2019 and the total equity attributable to equity shareholders of the Company as at 30 June 2020, 31 December 2018 and 2019 are as follows:

	For the six months ended		For the year ended 31 December			
	30 June 2020		2019		2018	
	<i>Equivalent to</i>		<i>Equivalent to</i>		<i>Equivalent to</i>	
	<i>Approximately</i>	<i>approximately</i>	<i>Approximately</i>	<i>approximately</i>	<i>Approximately</i>	<i>approximately</i>
	<i>US\$</i>	<i>HK\$</i>	<i>US\$</i>	<i>HK\$</i>	<i>US\$</i>	<i>HK\$</i>
	<i>thousands</i>	<i>thousands</i>	<i>thousands</i>	<i>thousands</i>	<i>thousands</i>	<i>thousands</i>
	<i>(unaudited)</i>		<i>(audited)</i>		<i>(audited)</i>	
Loss before taxation	(4,239)	(32,852)	(17,570)	(136,168)	(40,509)	(313,945)
Loss after taxation	(4,240)	(32,860)	(17,594)	(136,354)	(41,843)	(324,283)
Total comprehensive income attributable to equity shareholders of the Company	(4,479)	(34,712)	(17,559)	(136,082)	(43,675)	(338,481)
Total equity attributable to equity shareholders of the Company	60,081	465,628	64,561	500,348	82,120	636,430

7. OFFEROR'S INTENTION REGARDING THE COMPANY

The Company is incorporated in the Cayman Islands with limited liability and the Company has been listed on the Main Board of the Stock Exchange since 20 December 2007 with the stock code 422. The Group is principally engaged in the manufacturing and sale of scooters, cub motor bikes, engines and related parts.

Following implementation of the Proposal, the Offeror intends that the Company should continue carrying on its current business and do not intend to make any major changes to the current operations, or to discontinue the employment of the employees of the Group nor do they have any plans to redeploy any of the fixed assets of the Group after implementation of the Proposal. The Offeror and the Company will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business in light of the challenging environment for motorbike manufacturing businesses in Vietnam.

The Offeror has no intention to avail itself of any power of compulsory acquisition.

8. INFORMATION ON THE OFFEROR

The Offeror is incorporated in Samoa with limited liability, and is principally engaged in investment holding.

The Offeror is a direct wholly-owned subsidiary of Sanyang, a company incorporated in Taiwan with limited liability, and has been listed on the Taiwan Stock Exchange since 29 July 1996 with the stock code 2206. Sanyang, together with its subsidiaries, has over 60 years of experience in motorbikes and automobiles industry and is principally engaged in the manufacturing of motorbikes, motor cars, trucks and their related parts. As at the Latest Practicable Date, each of 大洋投資有限公司 (Dayang Investments Co. Ltd.*), 川原投資有限公司 (Chuanyuan Investments Co. Ltd.*) and 百科投資有限公司 (Baikē Investments Co. Ltd.*) holds approximately 8.08%, 5.82% and 5.43% of Sanyang, respectively. Based on the website of the Ministry of Economic Affairs in Taiwan, as at the Latest Practicable Date, 大洋投資有限公司 (Dayang Investments Co. Ltd.*) is wholly-owned by an individual called 許調謀 (Hu Tiao-Mou*); 川原投資有限公司 (Chuanyuan Investments Co. Ltd.*) is wholly-owned by an individual called 王國億 (Wang Guo-Yi*); and 百科投資有限公司 (Baikē Investments Co. Ltd.*) is wholly-owned by an individual called 張文隆 (Jhang Wun-Long*). Each of 許調謀 (Hu Tiao-Mou*), 王國億 (Wang Guo-Yi*) and 張文隆 (Jhang Wun-Long*) also acts as the sole director of the company that they own respectively. As at the Latest Practicable Date, there is no controlling shareholder of Sanyang.

As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng (all being Directors) has approximately 2.093%, 0.020%, 0.014%, 0.003% and 0.002% shareholding in Sanyang respectively.

As at the Latest Practicable Date, the Offeror held 608,818,000 Shares of the Company (representing approximately 67.07% of the issued share capital of the Company).

9. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal are, or are not, fair and reasonable and as to voting. As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng (all being Directors) has approximately 2.093%, 0.020%, 0.014%, 0.003% and 0.002% shareholding in Sanyang respectively. Given each of Ms. Wu Li Chu and Mr. Chiu Ying Feng also hold a position of deputy vice chairperson and deputy vice president of Sanyang, respectively, they cannot be members of the Independent Board Committee. The Interested Directors have abstained and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. The Independent Board Committee has given its recommendation as set out in Part V of this Scheme Document after taking into account the advice of Rainbow Capital.

The Independent Shareholders are reminded to carefully read this Scheme Document, including the letter of advice from Rainbow Capital to the Independent Board Committee set out in Part VI of this Scheme Document before making a decision.

10. INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Rainbow Capital as the independent financial adviser has been approved by the Independent Board Committee.

The full text of the letter from Rainbow Capital is set out in Part VI of this Scheme Document.

11. WITHDRAWAL OF LISTING OF SHARES AND TDR

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective. The Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. The TDR shall also be delisted from TWSE after all Shares are delisted from the Stock Exchange. A detailed timetable of the Scheme is set out in Part III of this Scheme Document, which contains, inter alia, further details of the Proposal.

12. IF THE SCHEME IS NOT APPROVED OR OTHERWISE LAPSES

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Scheme Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective.

If the Scheme is not approved or otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. If they are in doubt as to the action they should take, they should consult their stockbroker, bank manager, solicitor or other professional advisers.

13. OVERSEAS SCHEME SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. If such overseas Shareholders are in doubt as to their positions, they should consult their professional advisers.

In the event that the despatch of this Scheme Document to overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror or the Company regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the Company or their respective shareholders), this Scheme Document will not be despatched to such overseas Scheme Shareholders. For that purpose, the Company will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch this Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in this Scheme Document is made available to such overseas Scheme Shareholders.

One unit of TDR represents two Shares but the TDR Holders, who are not acting in concert with, and are independent of, and are not the Offeror or the Offeror Concert Parties, are not registered holders of the Shares as the underlying Shares of the TDR are deposited with CCASS and are registered under the name of HKSCC Nominees Limited unless the TDR Holders exercise the right to convert the TDR into the Shares. There is a time restriction for the TDR Holders to exercise the right to convert the TDR into Shares. The TDR Holders may submit conversion applications to convert their TDR into Shares until 3:00 p.m. on 20 August 2020.

The TDR is deposited in Taiwan Depository & Clearing Corporation (“TDCC”). When a TDR Holder intends to convert the TDR into Shares, the broker of the TDR Holder will instruct the TDCC for the relevant conversion instruction. The broker will then fill out the relevant forms and documents to TDCC, then the TDCC will deduct the relevant TDR balance in the relevant TDR Holder’s account. Then, the Depository Agent will inform the Custodian Bank for matching with the relevant TDR Holder’s broker in Hong Kong. The conversion will be concluded when it is confirmed that the Shares have been transferred to the account of the relevant TDR Holder’s broker. The conversion from TDR to Shares will be completed and settled within 2 Business Days of the conversion application.

Based on the information available on the Market Observation Post System of TWSE on the Latest Practicable Date, the Company has issued 53,938,500 units of TDR representing 107,877,000 Shares, that is 36.10% of the Scheme Shares and 11.88% of the issued share capital of the Company. The underlying Shares of the TDR have the same rights (including voting right) as of other Shares and thus the TDR Holders may through giving instructions to the Depository Agent to exercise the voting right attached to the underlying Shares if the TDR is not converted. The voting mechanism at the EGM and the Court Meeting for TDR Holders is explained below.

For the TDR Holders, this Scheme Document will be delivered to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, including input of relevant information about the Proposal into the Market Observation Post System of the TWSE, delivery of this Scheme Document to the TDR Holders, and collection of voting instructions from the TDR Holders. The Depository Agent will then collate such voting instructions and notify the Custodian Bank to pass on such voting instructions to HKSCC Nominees Limited accordingly as the underlying Shares are deposited with CCASS.

In respect of the voting mechanism for the TDR Holders at the EGM, pursuant to the Depository Agreement, if the Depository Agent receives the same instructions from the TDR Holders holding more than 50% of the units of TDR issued to vote on a particular resolution at the EGM, then the Depository Agent, the Custodian Bank or their nominee shall attend the EGM and cast vote according to all the instructions they received, which includes casting the votes for and casting the votes against that particular resolution at the EGM. The Depository Agent, Custodian Bank or their nominee shall not be allowed to vote on behalf of the TDR Holders that have not given any instructions.

For instance, if the Depository Agent receives the same instructions from the TDR Holders holding in aggregate of 55% of the total units of TDRs in issue to vote for a particular resolution, and also from the TDR Holders holding in aggregate of 15% of the total units of TDRs in issue to vote against that particular resolution, the Depository Agent may notify the Custodian Bank of such units of TDR held by the TDR Holders cast for and against that particular resolution. The Custodian Bank or their nominee shall then attend the EGM and cast vote according to such instructions received, that 55% of the total units of TDR in issue and 15% of the total units of TDR in issue will vote for and against that particular resolution respectively. The Depository Agent, Custodian Bank or their nominee shall not be allowed to vote on behalf of the TDR Holders that have not given any instructions.

If the Depository Agent does not receive the same instruction from the TDR Holders holding more than 50% of the units of TDR issued, then the Depository Agent shall notify the Custodian Bank or their nominee to issue a proxy to the chairman of the Board (or his designate) to cast vote on behalf of all TDR Holders in respect of all relevant TDR underlying Shares, and for this purpose, the Company undertakes that the person (the “**Designated Person**”) who will cast vote on behalf of all TDR Holders in respect of all relevant TDR underlying Shares shall not be an Offeror or an Offeror Concert Party and shall be a professional party who is independent of any of them. The vote to be casted by the Designated Person will also follow the instruction given by the TDR Holders. If all TDR Holders give instruction to vote for a particular resolution, then the Designated Person will vote for the particular resolution. If all TDR Holders give instruction to vote against a particular resolution, then the Designated Person will vote against the particular resolution. If some TDR Holders give instruction to vote for a particular resolution and some TDR Holders give instruction to vote against a particular resolution, then the Designated Person will vote both for and against the particular resolution and the number of Shares to be voted for and against such resolution will be based on the number of TDR underlying Shares represented by the relevant units of TDRs that voted for and against such resolution respectively. In case no instruction is given at all by the TDR Holders, then the Company undertakes that the Designated Person will not cast any votes on that particular resolution. However, if the Company (with the authorisation from the Board) objects to such arrangement or the Depository Agent reasonably believes that the granting of such proxy is materially not in the interest of the TDR Holders in the circumstance that the right of the TDR Holders would be prejudiced unfairly or unreasonably as a result of granting such proxy, then the Depository Agent shall not attend the EGM, nor shall it exercise any voting right in respect of the TDR underlying Shares. The Company will not object to such arrangement should the circumstances arise.

In respect of the voting mechanism for the TDR Holders at the Court Meeting, the Depository Agent will give instruction to the Custodian Bank based on the responses from the TDR Holders. If the only response from the TDR Holders is “yes”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees Limited to vote for “yes”. If the only response from the TDR Holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees Limited to vote for “no”. If the response from the TDR Holders is both “yes” and “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees Limited to vote for both “yes” and “no” which is permissible for HKSCC Nominees Limited. One unit of TDR represents two Shares. For the purpose of votes counting, it will depend on the number of TDR underlying Shares represented by the relevant units of TDRs that voted for and against the relevant resolution respectively. If there is no response from the TDR Holders, then the Depository Agent will relay the message to the Custodian Bank and the Custodian Bank will not give any instruction to HKSCC Nominees Limited.

The voting procedure of HKSCC Nominees Limited will then be the same as for other Shares registered under its name. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder under the “for” and as one Shareholder under “against”. Once the Depository Agent directs the Custodian Bank to give instructions to HKSCC Nominees Limited according to the response from TDR Holders, the voting procedure of HKSCC Nominees Limited regarding the TDR Holders will be the same as for other Shareholders for the purpose of the headcount test at the Court Meeting. It is all in accordance with the Court’s direction.

On the basis that the Scheme becomes effective on Tuesday, 6 October 2020 (Cayman Islands time) and Wednesday, 7 October 2020 (Hong Kong time), a cheque for the cash entitlements to the Scheme Shareholders will be despatched to the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Thursday, 15 October 2020 and the Custodian Bank will accordingly make the payment to the Depository Agent. The Depository Agent will further make the relevant payments to the TDR Holders on or about Monday, 26 October 2020.

Under Taiwan laws, there are no appraisal rights for the TDR Holders to petition to the court for buying back the TDRs based on fair market value.

In view of the Cancellation Price to be paid to the underlying Shares of the TDR held by TDR Holders, the Company has sought advice from its Taiwan legal adviser, Tsar & Tsai Law Firm. Based on such legal advice, the Company has no obligation to repurchase the outstanding TDR at a price equal to or no less than the NAV of the Company on the following basis:

(a) The minimum cancellation price for TDR

The prospectus of the TDR issuance, the TDR issuance terms and conditions, the Depository Agreement do not regulate the minimum consideration payable to TDR Holders in the event that the underlying shares of the TDR are cancelled and extinguished pursuant to applicable foreign laws.

(b) The repurchase of TDR by the Company

When the Scheme Shares are cancelled and extinguished in exchange for the Cancellation Price under the Scheme, the TDR shall also be deemed cancelled and extinguished given they are attached to the Scheme Shares. The Company will not be able to purchase the TDR subsequently and the TDR shall be delisted from TWSE after all ordinary shares are delisted from the Stock Exchange.

(c) Possible dissenting TDR Holders

There are no laws in Taiwan enabling the TDR Holders to require the Company to purchase the TDR from TDR Holders at a price equal to or no less than the NAV after the underlying Shares of the TDR are cancelled.

As advised by Tsar & Tsai Law Firm, the rules of TWSE do not require a separate Shareholders' resolution for approving the delisting of TDR after the underlying Shares are delisted, given the TDR shall be deemed to be cancelled and extinguished following the cancellation of the Scheme Shares.

14. TAX AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed "21. Taxation" as set out in Part VII of this Scheme Document.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Offeror, Offeror Concert Parties and the Company or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

15. SCHEME SHARES, COURT MEETING, AND EGM

As at the Latest Practicable Date, the Offeror holds an aggregate of 608,818,000 Shares representing approximately 67.07% of the total number of issued Shares in the share capital of the Company. Such 608,818,000 Shares will not constitute Scheme Shares and will not be voted on the Scheme at the Court Meeting.

The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and conditions of the Scheme.

Each of KPMG and China Tonghai is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" in the Takeovers Code. As at the Latest Practicable Date, no Shares are owned, controlled or directed by each of KPMG and China Tonghai.

All Shareholders will be entitled to attend the EGM and vote on, among other things, (i) a special resolution to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) a special resolution to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) an ordinary resolution to immediately thereafter increase the number of issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

The Offeror has undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the EGM.

16. COSTS OF THE SCHEME

In light of the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document and the recommendation of Rainbow Capital as set out in Part VI of this Scheme Document, Rule 2.3 of the Takeovers Code is not applicable. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including Rainbow Capital, will be borne by the Company, all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Proposal incurred by each of the Offeror and the Company will be borne by them respectively.

17. GENERAL

The Offeror has appointed KPMG and China Tonghai as its joint financial advisers in connection with the Proposal.

There are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company which might be material to the Proposal (see Note 8 to Rule 22 of the Takeovers Code).

There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal.

The Offeror and the Offeror Concert Parties have not borrowed or lent any Shares or any other securities of the Company as at the Latest Practicable Date.

Other than the consideration payable under the Proposal for cancelling the Scheme Shares, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. No irrevocable commitment to vote for or against the Proposal has been received by the Offeror and the Offeror Concert Parties, as at the Latest Practicable Date.

As at the Latest Practicable Date, there is no understanding, arrangement or agreement or special deal between (i) any Scheme Shareholders and persons acting in concert with them; and (ii)(a) the Offeror and the Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

As at the Latest Practicable Date, the Company has no intention to propose, declare or pay any dividends; nor the Cancellation Price is subject to any dividend proposed, declared but not yet paid.

18. COURT MEETING AND EGM

In accordance with the direction of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)). All Independent Shareholders whose names appear on the register of members of the Company as at the Scheme Court Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting in person or by proxy. The Offeror and the Offeror Concert Parties will not vote on the Scheme at the Court Meeting.

In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will counted as one Shareholder under the “for” and as one shareholder under “against”. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

In accordance with the Companies Law, the “75% in value” requirement will be met if the total value of the Shares being voted in favour of the Scheme is at least 75% of the total value of the Shares voted at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement will be met if the number of the Independent Shareholders voting in favour of the Scheme exceeds the number of the Independent Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of the Independent Shareholders, present and voting in person or by proxy, will be counted.

The EGM will be held as soon as after the Court Meeting has been concluded or adjourned for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing all Scheme Shares. All Shareholders will be entitled to attend and vote in person or by proxy on such resolutions at the EGM.

At the EGM, a poll will be taken and each Shareholder present and vote, either in person or by proxy, will be entered to vote all of his/her/its Shares in favour of (or against) the special resolutions and/or the ordinary resolution. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolutions and/or the ordinary resolution and any or all of the balance of their Shares against the special resolutions and/or the ordinary resolution (and vice versa). At the relevant EGM, the special and ordinary resolutions will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast against the Scheme, the units of TDR held by TDR Holders cast for and against the Scheme (including the number of underlying Shares of the units of TDR cast, by way of percentage to the total issued share capital of the Company and the total number of Scheme Shares) and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

Notices of the Court Meeting and the EGM are set out in Appendix IV and Appendix V of this Scheme Document.

19. PRECAUTIONARY MEASURES AT THE COURT MEETING AND EGM

In view of the ongoing novel coronavirus (“COVID-19”) and requirements for its effective prevention and control, the Company will implement the following precautionary measures at the Court Meeting and EGM to protect the Shareholders, staff and other stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted for all attendees at the entrance of the Court Meeting and EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the Court Meeting and EGM venue or be required to leave;
- (b) all attendees are required to wear surgical face masks inside the Court Meeting and EGM venue at all times, and to maintain a safe distance between seats; and
- (c) no refreshments will be served.

To the extent permitted under law, the Company reserves the right to deny entry into the Court Meeting and EGM venue or require any person to leave in order to ensure the safety of the attendees at the Court Meeting and EGM.

Pursuant to the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G) (the “**Regulation**”), group gatherings of more than a designated number of persons as prescribed under the Regulation for shareholders’ meetings are required to be accommodated in separate rooms or partitioned areas. The Company will comply with the relevant requirements under the Regulation as and when appropriate at the time of the Court Meeting and EGM.

Furthermore, the Company wishes to remind the Shareholders that physical attendance in person at the Court Meeting and EGM is not necessary for the purpose of exercising their voting rights. The Company wishes to strongly advise the Shareholders, particularly Shareholders who are unwell or subject to quarantine in relation to COVID-19, that they may appoint any person as a proxy to vote on the resolutions, instead of attending the Court Meeting and EGM in person.

The Company will keep the Shareholders informed by way of further announcement if there are any material updates on the Regulation which would affect the Court Meeting and EGM.

20. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS

Your attention is drawn to the section headed “Actions to be taken – Actions to be taken by the Shareholders” set out in Part II of this Scheme Document.

21. RECOMMENDATIONS

Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Rainbow Capital as the independent financial adviser has been approved by the Independent Board Committee. The text of the letter of advice from Rainbow Capital containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in Part VI of this Scheme Document. We would advise you to read this letter and the letter of advice from Rainbow Capital carefully before you take any action in respect of the Proposal.

The Independent Board Committee has considered the terms of the Proposal and taken into account the advice of Rainbow Capital, in particular the factors, reasons and recommendation as set out in the letter from Rainbow Capital in Part VI of this Scheme Document. The Independent Board Committee’s recommendation is set out in Part V of this Scheme Document.

As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng (all being Directors) has approximately 2.093%, 0.020%, 0.014%, 0.003% and 0.002% shareholding in Sanyang respectively. Each of Ms. Wu Li Chu and Mr. Chiu Ying Feng also hold a position of deputy vice chairperson and deputy vice president of Sanyang, respectively. The Interested Directors have not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. The Directors (excluding the members of the Independent Board Committee) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Scheme Shareholders.

22. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee, the letter from Rainbow Capital, the Explanatory Statement, the Scheme of Arrangement and the notices of the Court Meeting and the EGM contained in this Scheme Document and the other appendices to this Scheme Document.

Yours faithfully,
By Order of the Board
**Vietnam Manufacturing and Export
Processing (Holdings) Limited**
Liu Wu Hsiung
Chairman

* For identification purposes only

VMEPH
V i e t n a m**Vietnam Manufacturing and Export Processing (Holdings) Limited****越南製造加工出口(控股)有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 422)***Executive Directors:*

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

Non-executive Directors:

Mr. Chiu Ying Feng
Ms. Wu Li Chu

Independent non-executive Directors:

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

Registered office:

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

Head office:

Section 5, Tam Hiep Ward, Bien Hoa City
Dong Nai, Vietnam

Principal place of business in Hong Kong:

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

14 August 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF VIETNAM MANUFACTURING AND
EXPORT PROCESSING (HOLDINGS) LIMITED BY SY INTERNATIONAL LTD.
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86
OF THE COMPANIES LAW OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

We refer to the scheme document (the “**Scheme Document**”) dated 14 August 2020 jointly issued by the Company and the Offeror in relation to the Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the Proposal.

PART V LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Rainbow Capital has been appointed, with our approval, as the independent financial adviser in respect of the Proposal.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from Rainbow Capital as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by Rainbow Capital in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of the Scheme Document.

Having considered the terms of the Proposal and having taken into account the advice of Rainbow Capital, in particular the factors, reasons and recommendations as set out in the letter from Rainbow Capital, we consider the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend:

- (1) the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (2) the Shareholders to vote at the EGM in favour of (i) a special resolution to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) a special resolution to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) an ordinary resolution to immediately thereafter increase the number of issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

Yours faithfully,

Independent Board Committee

Ms. Lin Ching Ching

Independent

non-executive Director

Mr. Shen Hwa Rong

Independent

non-executive Director

Ms. Wu Kwei Mei

Independent

non-executive Director

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee in respect of the Proposal, which has been prepared for the purpose of incorporation in this Scheme Document.

Rainbow Capital (HK) Limited

14 August 2020

To: the Independent Board Committee

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF
VIETNAM MANUFACTURING AND EXPORT PROCESSING
(HOLDINGS) LIMITED BY SY INTERNATIONAL LTD.
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW
OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Proposal, details of which are set out in this Scheme Document dated 14 August 2020 jointly issued by the Company and the Offeror in relation to the Proposal, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in this Scheme Document.

The Offeror and the Company jointly announced that on 26 May 2020, the Offeror requested the Board to put forward the Proposal, which will involve the Scheme to cancel and extinguish the Scheme Shares and the payment of the Cancellation Price, being HK\$0.45 per Scheme Share, to the Scheme Shareholders, and the withdrawal of the listing of the Shares on the Stock Exchange. The Proposal will be carried out by way of a scheme of arrangement under Section 86 of the Companies Law.

The Independent Board Committee, comprising three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei, has been established to advise the Independent Shareholders as to (i) whether the terms of the Proposal are fair and reasonable; and (ii) whether to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme. Each of the two non-executive Directors, being Ms. Wu Li Chu and Mr. Chiu Ying Feng, is not a member of the Independent Board Committee given that they have a material interest in the Proposal by having shareholding interests of approximately 2.093% and 0.002% in Sanyang and holding a position of deputy vice chairperson and deputy vice president of Sanyang, respectively. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee in such regard.

We are not associated with the Company, the Offeror, their respective substantial shareholders and financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. In the last two years prior to the commencement of the Offer Period, there was no engagement or connection between the Group or the Offeror on one hand and us on the other hand. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders and financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in this Scheme Document; (ii) the information supplied by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Scheme Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Scheme Document are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Scheme Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Scheme Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date.

The Scheme Shareholders will be informed by the Company and us as soon as practicable if there is any material change to the information disclosed in this Scheme Document during the Offer Period, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Scheme Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Scheme Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of their respective subsidiaries and associates.

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

Subject to the fulfilment or waiver (as applicable) of the Scheme Conditions, the proposed privatisation of the Company will be implemented by way of the Scheme.

(i) Principal terms of the Scheme

Under the Scheme, each Scheme Shareholder will be entitled to receive from the Offeror the following Cancellation Price for the cancellation of the Scheme Shares:

For each Scheme Share HK\$0.45 in cash

On the basis of the Cancellation Price of HK\$0.45 per Scheme Share and 298,862,000 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$134.5 million.

Based on the Cancellation Price and 907,680,000 Shares in issue as at the Latest Practicable Date, the Proposal valued the Company at approximately HK\$408.5 million.

(ii) Scheme Conditions

The implementation of the Proposal is, and the Scheme will become effective and binding on the Offeror, the Company and the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of, among other things, the following principal Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than 75% in value of the Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) (1) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (2) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Shares held by all the Independent Shareholders;

- (c) (1) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; (2) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares upon the Scheme becoming effective; and (3) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter increase the issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration; and
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the number of issued Shares in the share capital of the Company referred to in paragraph (c)(1) above.

For details of other Scheme Conditions, please refer to the section headed "2. The Proposal – The Scheme Conditions" in the Explanatory Statement in this Scheme Document.

The Offeror reserves the right to waive the Scheme Conditions (except for the Scheme Conditions in paragraphs (a) to (e) above) in whole or in part, either generally or in respect of any particular matter. The Company has no right to waive any of the Scheme Conditions. All of the Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Offeror in the context of the Proposal.

(iii) Expected timetable of the Proposal

The indicative timetable for the Proposal is set out in "Expected Timetable" in this Scheme Document. Based on the indicative timetable, the Scheme Shareholders will receive the cash payment under the Proposal in October 2020 if the Scheme becomes effective. Further announcement will be made by the Offeror and the Company if there is any change to the timetable.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal, we have taken into account the following principal factors and reasons:

1. Information and historical financial performance of the Group

The Group is principally engaged in (i) manufacture and sale of motorbikes primarily in Vietnam as well as exporting its products to other countries including Malaysia, the Philippines, Thailand, Greece and Taiwan; (ii) manufacture and sale of spare parts and engines for motorbikes; and (iii) manufacture and maintenance of moulds used for making metal parts. The Group's motorbikes are sold under the SYM brand. For the year ended 31 December 2019, the Group generated approximately 86.4% of total revenue from manufacture and sale of motorbikes. Vietnam, Malaysia and the Philippines represent the three major markets of the Group, accounting for approximately 51.0%, 26.5% and 9.7% of total revenue for the year ended 31 December 2019, respectively. The manufacturing and assembly operations of the Group are located in Vietnam with an annual production capacity of approximately 200,000 motorbikes.

(i) Financial performance

Set out below is a summary of the consolidated statements of profit or loss and other comprehensive income for the two years ended 31 December 2019 (“FY2018” and “FY2019”, respectively) and the six months ended 30 June 2019 and 2020 (“2019 H1” and “2020 H1”, respectively) as extracted from the annual report of the Company for the year ended 31 December 2019 (the “2019 Annual Report”) and the unaudited interim results announcement of the Company for the six months ended 30 June 2020 (the “2020 H1 Results”):

	For the six months ended 30 June		For the year ended 31 December	
	2020 US\$ (unaudited)	2019 US\$ (unaudited)	2019 US\$ (audited)	2018 US\$ (audited)
Revenue	27,782,529	44,078,363	99,499,318	91,546,757
– Manufacture and sale of motorbikes	22,569,854	37,118,869	85,934,693	78,046,137
Revenue	27,782,529	44,078,363	99,499,318	91,546,757
– Vietnam	13,588,058	20,516,526	50,791,969	50,200,637
– Malaysia	5,899,272	12,721,711	26,379,811	27,925,538
– The Philippines	2,786,172	5,113,783	9,658,906	11,657,120
– Thailand	2,932,629	1,914,497	7,155,836	940
– Other countries	2,576,398	3,811,846	5,512,796	1,762,522

	For the six months ended 30 June		For the year ended 31 December	
	2020 US\$ (unaudited)	2019 US\$ (unaudited)	2019 US\$ (audited)	2018 US\$ (audited)
Gross profit/(loss)	2,402,599	1,812,500	5,371,492	(2,330,403)
– Gross profit/(loss) margin	8.6%	4.1%	5.4%	(2.5%)
Other income	437,639	266,383	368,428	281,646
Distribution costs	(2,085,125)	(2,691,264)	(5,886,848)	(6,042,394)
Technology transfer fees	(177,854)	(821,265)	(1,276,535)	(1,513,924)
Administrative and other operating expenses	(3,418,334)	(4,096,132)	(9,565,931)	(13,710,438)
Results from operating activities	(2,841,075)	(5,529,778)	(10,989,394)	(23,315,513)
Net finance income	632,685	1,088,193	1,645,166	3,091,421
Impairment losses on other property, plant and equipment, prepayments and right-of-use assets	(2,018,855)	(3,994,992)	(8,287,928)	(20,233,977)
Loss attributable to the Shareholders	<u>(4,239,745)</u>	<u>(8,428,433)</u>	<u>(17,594,257)</u>	<u>(41,842,673)</u>

(a) *FY2019 compared to FY2018*

Revenue generated from manufacture and sale of motorbikes accounted for approximately 85.3% and 86.4% of the Group's total revenue for FY2018 and FY2019, respectively. Vietnam, Malaysia and the Philippines remain the three core markets of the Group, accounting for approximately 98.1% and 87.3% of the Group's total revenue for FY2018 and FY2019, respectively.

Revenue of the Group increased by approximately 8.7% from approximately US\$91.5 million for FY2018 to approximately US\$99.5 million for FY2019. Such increase was primarily attributable to (1) the growth in sales volume of the Group's cub motorbikes in Vietnam; (2) the growth in export sales to other countries, in particular Thailand and Greece; and (3) the commencement of provision of original equipment manufacturing ("OEM") services to Lambretta in FY2019. This was partially offset by (1) the decrease in sales volume and revenue from sales of high-priced scooters caused by the price-cutting competition with the Japanese manufacturers in Vietnam; and (2) the decline in sales volume in Malaysia and the Philippines due to the competition with the Japanese manufacturers as well as the import of low-priced motorbikes from the PRC.

As a result of the decrease in depreciation expenses after the impairment provision for the property, plant and equipment and other assets in respect of the business of manufacture and sale of motorbikes for FY2018, the Group recorded a gross profit margin of approximately 5.4% for FY2019 as compared to a gross loss margin of approximately 2.5% for FY2018.

Results from operating activities improved by approximately 52.9% from a loss of approximately US\$23.3 million for FY2018 to a loss of approximately US\$11.0 million for FY2019, primarily due to (1) the improvement in gross profit as mentioned above; and (2) the significant decrease in administrative and other operating expenses by approximately 30.2% as the integration of the Group's platforms for developing different models of motorbikes resulted in a significant reduction in research and development expenses.

As disclosed in the 2019 Annual Report, due to the fierce competition in the motorbike industry and the increase in manufacturing costs on newly launched products, the Group suffered operating losses over the last few years. Accordingly, impairment losses on other property, plant and equipment, prepayments and right-of-use assets of approximately US\$20.2 million and US\$8.3 million were recognised for FY2018 and FY2019, respectively.

As a result of the above, in particular, (1) the increase in gross profit primarily caused by the increase in revenue and the decrease in depreciation expenses after the impairment provision for the property, plant and equipment and other assets for FY2018; (2) the decrease in administrative and other operating expenses due to the decrease in research and development expenses; and (3) the decrease in impairment losses on other property, plant and equipment, prepayments and right-of-use assets, loss attributable to the Shareholders decreased by approximately 58.0% from approximately US\$41.8 million for FY2018 to approximately US\$17.6 million for FY2019.

Notwithstanding the decrease in loss attributable to the Shareholders, as disclosed in the 2019 Annual Report, the profitability of the Group continued to be affected by the rising labor costs and raw material prices in Vietnam, and the Group was unable to reflect such increase in costs in the selling prices of its products due to the highly competitive business environment in Vietnam and other ASEAN countries.

(b) 2020 H1 compared to 2019 H1

Since the beginning of 2020, the outbreak of the novel coronavirus has adversely affected the Group's operations, resulting in a slowdown or suspension of the Group's overall operations and sales. The operating performance of the Group was restrained during 2020 H1. As disclosed in the 2020 H1 Results, it is expected that the second half of 2020 will remain challenging to the Group due to the risk of ongoing worldwide spread of the pandemic.

Revenue generated from manufacture and sale of motorbikes accounted for approximately 84.2% and 81.2% of the Group's total revenue for 2019 H1 and 2020 H1, respectively. Vietnam, Malaysia, the Philippines and Thailand, the major markets of the Group, accounted for approximately 91.4% and 90.7% of the Group's total revenue for 2019 H1 and FY2020, respectively.

Revenue of the Group decreased by approximately 37.0% from approximately US\$44.1 million for 2019 H1 to approximately US\$27.8 million for 2020 H1, primarily due to the decrease in sales volume in Vietnam and other ASEAN countries by approximately 33.9% and 51.3%, respectively, as a result of the pandemic and preventive quarantine arrangement caused by the outbreak of the novel coronavirus, resulting in a halt in production and sales activities.

Gross profit, however, increased by approximately 32.6% from approximately US\$1.8 million for 2019 H1 to approximately US\$2.4 million for 2020 H1. This was mainly attributable to (1) the decrease in sales of less profitable products primarily due to the competitive business environment and the impact of the novel coronavirus, resulting in a decrease in loss; and (2) the provision of OEM services for the brand Lambretta which entailed higher gross profit margins. Accordingly, gross profit margin improved from approximately 4.1% for 2019 H1 to approximately 8.6% for 2020 H1.

Operating loss narrowed by approximately 48.6% from approximately US\$5.5 million for 2019 H1 to approximately US\$2.8 million for 2020 H1, primarily attributable to (1) the increase in gross profit as mentioned above; (2) the decrease in distribution costs by approximately 22.5% mainly due to rectification of existing distribution network, the decrease in sales incentives and supporting fees to the distributors and the decrease in the overall marketing and promotion expenses as a result of the decline in sales due to the impact of the pandemic; (3) the decrease in administrative and other operating expenses by approximately 16.5% primarily due to the decrease in research and development expenses, the Group's efforts to boost the operational efficiency and the implementation of various cost saving measures; and (4) the decrease in technology transfer fees by approximately 78.3% given the decline in sales and the increased provision of OEM services to its customers.

Loss attributable to the Shareholders decreased by approximately 49.7% from approximately US\$8.4 million for 2019 H1 to approximately US\$4.2 million for 2020 H1, mainly due to the improvement in operating loss and the overall decrease in impairment losses on other property, plant and equipment, prepayments and right-of-use assets, which was partially offset by the decrease in net finance income due to the decrease in interest income given the lower average cash and bank balance and the increase in interest expenses arising from increased borrowings.

(ii) Financial position

Set out below is a summary of the consolidated statements of financial position as at 31 December 2018 and 2019 and 30 June 2020 as extracted from the 2019 Annual Report and the 2020 H1 Results:

	As at 30 June	As at 31 December	
	2020	2019	2018
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets, including:	7,825,241	7,988,584	4,435,924
Investment properties	4,167,529	4,214,515	–
Other property, plant and equipment	3,098,805	3,199,305	3,324,760
Current assets, including:	92,882,269	101,232,034	110,775,290
Inventories	28,011,840	23,320,944	24,571,587
Trade receivables, other receivables and prepayments	18,245,805	25,883,043	22,446,972
Cash and bank balances	46,620,368	52,028,047	63,732,793
Total assets	100,707,510	109,220,618	115,211,214
Current liabilities, including:	39,904,583	43,729,879	33,078,444
Trade and other payables	10,538,303	14,716,024	13,392,333
Bank loans	28,334,456	27,943,369	18,925,591
Net current assets	52,977,686	57,502,155	77,696,846
Total liabilities	40,621,800	44,655,515	33,091,481
Total equity attributable to the Shareholders	60,081,397	64,560,788	82,119,733
Current ratio (<i>Note 1</i>)	2.33	2.31	3.35
Quick ratio (<i>Note 2</i>)	1.63	1.78	2.61
Gearing ratio (<i>Note 3</i>)	47.2%	43.3%	23.0%
Net cash (<i>Note 4</i>)	18,285,912	24,084,678	44,807,202

Notes:

1. Being current assets divided by current liabilities.
2. Being current assets less inventories and divided by current liabilities.
3. Being bank loans divided by equity attributable to the Shareholders.
4. Being cash and bank balances less bank loans.

As at 30 June 2020, total assets and total liabilities of the Group amounted to approximately US\$100.7 million and US\$40.6 million, respectively. As at 30 June 2020, investment properties, trade receivables, other receivables and prepayments and cash and bank balances accounted for approximately 68.5% of total assets of the Group whereas trade and other payables and bank loans accounted for approximately 95.7% of total liabilities of the Group.

The Group is financially healthy given its net current asset and net cash position despite a decreasing trend from 31 December 2018 to 30 June 2020. As at 30 June 2020, the Group had net current assets of approximately US\$53.0 million and net cash (being cash and bank balances less bank loans) of approximately US\$18.3 million. The decrease in cash and bank balances from approximately US\$63.7 million as at 31 December 2018 to approximately US\$46.6 million as at 30 June 2020 was primarily attributable to the continued loss of the Group, resulting in net cash outflow from operating activities.

The current and quick ratios of the Group were approximately 2.33 and 1.63, respectively, as at 30 June 2020. The gearing ratio, being bank loans divided by equity attributable to the Shareholders, increased from 23.0% as at 31 December 2018 to 47.2% as at 30 June 2020. Such increase was primarily due to the increase in bank loans to replenish the Group's working capital due to its continued operating loss and the decrease in net asset value as a result of the Group's loss-making position. The gearing ratios of the Asia Comparable Companies (as defined below) as at their latest year or period end ranged from 0% to approximately 386.5% with an average and median of approximately 102.5% and 12.7%, respectively. We consider that the Group's gearing is within the industry range and is not high given its net cash position.

Based on the unaudited equity attributable to the Shareholders ("NAV") of approximately US\$60.1 million as at 30 June 2020 and 907,680,000 Shares in issue as at the Latest Practicable Date, the unaudited NAV per Share is approximately US\$0.066 (equivalent to approximately HK\$0.513).

(iii) Overall comment

For FY2019, the Group recorded a moderate growth in revenue and significant improvement in results from operating activities and loss attributable to the Shareholders, primarily attributable to the growth in export sales to other countries, in particular Thailand, the improvement in the gross profit, the decrease in administrative and other operating expenses and the decrease in impairment losses on other property, plant and equipment, prepayments and right-of-use assets. However, while revenue generated from Vietnam only grew slightly by 1.2%, revenue generated from Malaysia and the Philippines declined by approximately 5.5% and 17.1%, respectively, for FY2019. There was limited growth or even contraction in the Group's three major markets for FY2019. Although the sales of the Group have been adversely affected by the outbreak of the novel coronavirus since early 2020, loss attributable to the Shareholders narrowed significantly for 2020 H1 primarily due to the decrease in sales of less profitable products, the provision of OEM services for the brand Lambretta and the Group's efforts in reducing costs.

As disclosed in the 2019 Annual Report, the business environment of the motorbike industries in Vietnam and other core markets of the Group remains challenging. The domestic sales of the Group in Vietnam continued to be affected by the intense competition with other market players, in particular the Japanese manufacturers which have strong brand names and ample resources whereas the overseas sales of the Group, especially in Malaysia and the Philippines, continued to suffer from the low-priced motorbikes imported from the PRC to its overseas markets. Price volatility and competition are expected to persist due to the challenging business environment in the Vietnamese motorbike industry as stated in the 2019 Annual Report. With the Vietnamese government's gradual implementation of air pollution control to limit vehicles to ease overloaded transport infrastructure and improving standard of living where people tend to buy automobiles as a means of transport, the growth of the motorbike industry may be restricted over time.

Looking ahead, while the Group continues to improve cost efficiencies, the Group's business will continue to encounter challenges in the second half of 2020 due to the risk of ongoing worldwide spread of the novel coronavirus, as stated in the 2020 H1 Results.

The Directors have made a statement of material changes in the financial and trading position and outlook of the Group since 31 December 2019, as set out in the section headed "4. Material change" in Appendix I to this Scheme Document.

2. Reasons for and benefits of the Proposal

As set out in the Explanatory Statement, the Proposal represents an opportunity for the Scheme Shareholders to realise their investments in the Shares for cash at a significantly premium over the prevailing market prices prior to the publication of the Announcement without having to suffer any illiquidity discount.

The premiums of the Cancellation Price of HK\$0.45 per Share over the closing price of the Shares on the Last Trading Day and the averages of the closing prices of the Shares for 10, 30, 60, 90, 120 and 180 trading days up to and including the Last Trading Day are significant, in the range of approximately 117.4% to 167.1%. The Cancellation Price represents premiums of approximately 176.1% and 69.8% over the lowest and highest closing prices of the Shares during the one-year period up to and including the Last Trading Day, respectively. Based on our analyses set out in the section headed "5. Evaluation of the Cancellation Price – (i) Share price performance" below, the Cancellation Price represents substantial premiums over the then Share prices prior to the issue of the Announcement. Driven by the announcement of the Proposal, the Share price surged from HK\$0.171 on the Last Trading Day to HK\$0.43 on 8 June 2020, being the first trading day following the publication of the Announcement and closed at HK\$0.42 as at the Latest Practicable Date.

It was stated in the Explanatory Statement that the liquidity of the Shares has been at a relatively low level over a long period of time. During the one-year period up to and including the Last Trading Day, the average daily trading volume of the Shares was approximately 125,522 Shares, representing only approximately 0.014% of the issued Shares on the Last Trading Day. Given the thin liquidity of the Shares as illustrated in our analyses set out in the section headed "4. Trading volume of the Shares" below, we concur with the Directors that the Proposal allows the Scheme Shareholders to dispose of their Shares, particularly for those Scheme Shareholders holding a significant number of Shares, without having to suffer significant illiquidity discount or adversely affecting the market prices of the Shares.

Moreover, as disclosed in the Explanatory Statement, with the Proposal being implemented, the Group is no longer required to incur administrative and compliance costs for maintaining the Company's listing status which the Directors consider not justified given that it has been difficult for the Company to raise funds through equity financing due to the illiquidity in trading of the Shares and the general downward trend of the Share price in recent years.

Furthermore, through the implementation of the Proposal, the Group will be in a better position to implement its business strategies more efficiently and effectively as a private entity so as to achieve cost savings, for example through resources sharing with Sanyang, the ultimate controlling Shareholder, as stated in the Explanatory Statement. This is particularly the case when the Group needs to reassess its strategies in face of a number of current challenges, including the intensified price competition with the Japanese manufacturers in Vietnam, the competition with low-priced motorbikes imported from the PRC to Southeast Asia, rising labor and material costs in Vietnam and the tightened regulatory control on air pollution by limiting the number of vehicles and motorbikes in Vietnam, as disclosed in the 2019 Annual Report.

Based on the aforesaid, we concur with the Directors that (i) the Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares at a price significantly above the then market prices prior to the issue of the Announcement; (ii) the prevailing Share prices subsequent to the publication of the Announcement may not be sustainable if the Scheme is not approved or the Proposal otherwise lapses; and (iii) the Proposal allows the Group to (a) reallocate the resources, which would otherwise be utilised as administrative and compliance costs and expenses for maintaining the listing status of the Company, to the business development of the Group; and (b) execute its strategies more efficiently and effectively as a private entity under the current tough business environment.

3. Industry overview and outlook

(i) *Economic growth*

The Group is principally engaged in manufacture and sale of scooters, cub motor bikes, engines and related parts with revenue primarily generated from Vietnam, Malaysia and the Philippines. Thailand represents another important market of the Group apart from the three core markets. Accordingly, the financial performance of the Group is affected by the local economic activities to a certain extent. The following table sets out the real gross domestic product ("GDP") growth and the estimated real GDP growth of Vietnam, Malaysia, the Philippines and Thailand for the years or period indicated:

	2016	2017	2018	2019	First quarter of 2020	2020e (Note)	2021e (Note)
Real GDP growth							
– Vietnam	6.7%	6.9%	7.1%	7.0%	3.8%	2.7%	7.0%
– Malaysia	4.4%	5.7%	4.7%	4.3%	0.7%	(3.8%)	6.3%
– The Philippines	6.9%	6.7%	6.2%	5.9%	(0.7%)	(3.6%)	6.8%
– Thailand	3.4%	4.1%	4.2%	2.4%	(1.8%)	(7.7%)	5.0%

Source: *World Economic Outlook and World Economic Outlook Update published by International Monetary Fund (“IMF”) in April 2020 and June 2020, respectively. IMF is an organisation found in 1945 and made up of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.*

Note: *estimated figures*

As shown in the table above, among the four markets of the Group, Vietnam generally exhibited the strongest economic growth, followed by the Philippines, Malaysia and Thailand, respectively.

Vietnam’s real GDP expanded 7.0% in 2019, the second consecutive year that Vietnam’s economic growth has reached over 7% since 2011, as a result of the expansion of the processing and manufacturing sector and service sector, which was remarkable in the context of a slowing global economy. However, Malaysia’s real GDP moderated to 4.3% in 2019, the lowest level since 2009, caused by shrinking private consumption and slower external demand under a gloomy global economic environment. As for the Philippines, the economy grew 5.9% in 2019, the slowest pace in eight years, due to the weakness in agriculture and the delayed approval of the national budget. As a result of the lower government spending and exports, Thailand’s economy grew 2.4% in 2019, the slowest pace in five years.

Affected by the outbreak of the novel coronavirus since early 2020 which has disrupted a wide range of economic activities, the economies of the four largest markets of the Group recorded a sharp slowdown or even a contraction in the first quarter of 2020.

(ii) Sales volume of motorbikes and passenger cars

The table below sets out the sales volumes of motorbikes and passenger cars and their growth in Vietnam, Malaysia, the Philippines and Thailand for the years or period indicated:

	2016	2017	2018	2019	2020 H1 (Note 9)
Sales volume of motorbikes (in units)					
Vietnam (Note 1)	3,121,023	3,272,373	3,386,097	3,254,964	1,249,997
– Growth	9.5%	4.8%	3.5%	(3.9%)	(16.9%)
Malaysia (Note 2)	396,343	434,850	471,782	546,813	187,444
– Growth	4.1%	9.7%	8.5%	15.9%	(27.2%)
The Philippines (Note 3)	1,138,338	1,319,084	1,590,333	1,704,898	451,034
– Growth	33.8%	15.9%	20.6%	7.2%	(45.7%)
Thailand (Note 4)	1,735,045	1,809,173	1,788,323	1,718,587	731,979
– Growth	5.9%	4.3%	(1.2%)	(3.9%)	(18.1%)

Source: *Federation of Asian Motorcycle Industries (“FAMI”)*

	2016	2017	2018	2019	2020 H1 (Note 9)
Sales volume of passenger cars (in units)					
Vietnam (Note 5)	159,500	146,994	192,084	229,706	74,638
– Growth	36.0%	(7.8%)	30.7%	19.6%	(31.8%)
Malaysia (Note 6)	514,594	514,675	533,202	550,179	158,876
– Growth	(13.0%)	0.0%	3.6%	3.2%	(41.3%)
The Philippines (Note 7)	133,188	139,424	109,020	109,197	23,912
– Growth	14.4%	4.7%	(21.8%)	0.2%	(54.4%)
Thailand (Note 8)	279,827	346,247	399,657	398,386	119,716
– Growth	(6.5%)	23.7%	15.4%	(0.3%)	(42.0%)

Source: Vietnam Automobile Manufacturers Association (“VAMA”), Malaysian Automotive Association, Chamber of Automotive Manufacturers of the Philippines, Inc., Truck Manufacturers Association and The Thai Automotive Industry Association (“TAIA”)

Notes:

1. Represented the number of units of motorbikes sold by the five largest manufacturers in Vietnam, namely Honda Vietnam Co., Ltd. (“Honda”), Piaggio Vietnam Co., Ltd. (“Piaggio”), Vietnam Suzuki Corporation (“Suzuki”), the Company and Yamaha Motor Vietnam Co., Ltd. (“Yamaha”), which accounted for more than 95% of the domestic motorbike consumption according to the website of Vietnam Association of Motorcycle Manufacturers (“VAMM”).

VAMM, a member of FAMI, was established under a decision signed by Minister of Home Affairs in 2013 with an aim to, among other things, build a forum to connect motorcycle manufacturers in Vietnam, protect the lawful rights and interests of the members in accordance with the provisions of the law of Vietnam and act as a bridge between local motorcycle manufacturers and the government.

2. Represented the number of units of motorbikes sold by the members of Motorcycle & Scooter Assemblers and Distributors Association of Malaysia.
3. Represented the number of units of motorbikes sold by the members of Motorcycle Development Program Participants Association, Inc.
4. Represented the number of units of motorbikes sold by the members of TAIA.
5. Represented the number of units of passenger cars sold by the members of VAMA in Vietnam.
6. Represented the number of units of new passenger cars registered in Malaysia.
7. Represented the number of units of passenger cars sold in the Philippines.
8. Represented the number of units of passenger cars sold by the members of TAIA in Thailand.
9. The negative growth was primarily caused by the novel coronavirus outbreak since early 2020 which disrupted a wide range of consumption-related activities.

Vietnamese market

The Vietnam motorbike market ranked second in the ASEAN region and fourth in the world, dominated by the five main local manufacturers, namely, Honda, Yamaha, Suzuki, the Company and Piaggio, which hold over 95% of the total market according to VAMM. As shown in the table above, the growth in sales volume of motorbikes in Vietnam has slowed significantly from 9.5% in 2016 to 3.5% in 2018. In 2019, sales volume of motorbikes in Vietnam shrank by 3.9%. This indicates that the motorbike market in Vietnam has been saturated.

Sales volume of passenger cars, on the other hand, grew from 159,500 units in 2016 to 229,706 units in 2019, representing a compound annual growth rate (“CAGR(s)”) of 12.9%. Although the sales volume of motorbikes is still far above that of passenger cars in Vietnam, the improving standard of living is believed to have drove people in Vietnam to choose automobiles as a means of transport as disclosed in the 2019 Annual Report.

As a result of the market saturation, the Group’s revenue generated from Vietnam only grew slightly by 1.2% for FY2019.

Malaysian market

The Malaysian motorbike market ranked 5th in the ASEAN region and 14th in the world. Sales volume of motorbikes in Malaysia grew significantly from 396,343 units in 2016 to 546,813 units in 2019, representing a CAGR of 11.3%, indicating a positive market prospect. Sales volume of passenger cars, on the other hand, only grew steadily at a CAGR of approximately 2.3% during the period from 2016 to 2019.

In 2019, while the motorbike market in Malaysia grew significantly by 15.9%, the Group’s revenue generated from Malaysia declined by 5.5%, affected by the competition with the Japanese manufacturers as well as the import of low-priced motorbikes from the PRC.

The Philippine market

In the Philippines, while sales volume of passenger cars shrank at a CAGR of 6.4%, sales volume of motorbikes in the Philippines grew significantly from 1,138,338 units in 2016 to 1,704,898 units in 2019, representing a CAGR of 14.4%.

Notwithstanding the significant growth in the overall motorbike market in the Philippines, the Group’s revenue generated from the Philippines dropped by 17.1% for FY2019, primarily due to the local price competition with the motorbikes imported from the PRC.

Thailand market

After two consecutive years of moderate growth in 2016 and 2017, sales volume of motorbikes in Thailand contracted by 1.2% and 3.9% in 2018 and 2019, respectively, showing signs of saturation in recent years. However, sales volume of passenger cars in Thailand grew at a CAGR of 12.5% during the same period.

For FY2019, the Group's revenue generated from Thailand amounted to approximately US\$7.2 million, accounting for approximately 7.2% of total revenue, primarily attributable to provision of OEM services to Lambretta.

Since the beginning of 2020, the contraction in sales volume of motorbikes and passenger cars in Vietnam, Malaysia, the Philippines and Thailand has been primarily resulted from the anti-epidemic measures caused by the novel coronavirus outbreak.

(iii) Government's policy

As disclosed in the 2019 Annual Report, the business environment of the motorbike industry in Vietnam continues to be challenging as the Vietnamese government is paying attention to air pollution control gradually and limiting vehicles to ease overloaded transport infrastructure.

Pursuant to Decision 5953/QD-UBND dated 24 August 2017 issued by the Ha Noi People's Committee, approving project on increasing the management of road vehicles in order to reduce traffic jam and environmental pollution in Ha Noi in the 2017-2020 period, vision to 2030, Hanoi will gradually limit the use of motorbikes in certain area and time, thus preparing conditions to stop motorbikes in urban districts in 2030. Following Hanoi, in August 2018, Ho Chi Minh City also proposed a roadmap towards restriction of motorbikes in some central districts and a complete ban on motorbikes in downtown districts from 2030.

(iv) Overall comment

Vietnam, Malaysia and the Philippines represent the three major markets of the Group, accounting for approximately 51.0%, 26.5% and 9.7% of total revenue for FY2019 and approximately 48.9%, 21.2% and 10.0% of total revenue for 2020 H1, respectively. Thailand represents another important market of the Group which contributed approximately 7.2% and 10.6% of total revenue for FY2019 and 2020 H1, respectively.

For FY2019, while revenue generated from Vietnam only grew slightly by 1.2% due to the market saturation and the stiff competition with the Japanese manufacturers in Vietnam, revenue generated from Malaysia and the Philippines declined by approximately 5.5% and 17.1%, respectively, threatened by the competition with the Japanese manufacturers and the low-priced motorbikes imported from the PRC. The business environment of the Group is considered by the management as challenging and competitive in the 2019 Annual Report.

The operating performance of the Group was adversely affected by the novel coronavirus infection since the beginning of 2020, resulting in a slowdown or even suspension in sales. For 2020 H1, while the Group recorded a growth in revenue from Thailand, revenue generated from Vietnam, Malaysia and the Philippines dropped by approximately 33.8%, 53.6% and 45.5%, respectively, as a result of the negative impact brought by the novel coronavirus outbreak. It is expected that the Group's business will continue to encounter tough challenges in the second half of 2020 as disclosed in the 2020 H1 Results.

IMF projected that the economies of Vietnam, Malaysia, the Philippines and Thailand would exhibit significant slowdown or even contraction in 2020, but a sharp rebound in 2021. We consider the outlook for the motorbike industries in these regions to be concerning in the short term although the impact of the epidemic is temporary and will not persist for a long period of time.

Although Vietnam has experienced remarkable economic growth of above 6.5% in the past few years, the domestic motorbike market is undergoing saturation as evidenced by the contraction of sales volume of motorbikes in 2019 followed by the decelerating growth in the previous two years. Price volatility and competition are expected to persist as disclosed in the 2019 Annual Report. With improving living standard, people in Vietnam tend to buy automobiles as a means of transport as reflected in the significant growth in sales volume of passenger cars in the past years. Coupled with the Vietnamese government's proposal to restrict and eventually ban motorbikes in urban districts of Hanoi and Ho Chi Minh City by 2030, we consider the outlook for the motorbike industry in Vietnam remains challenging.

As for Malaysia and the Philippines, although the economic growth moderated in 2019, sales volume of motorbikes grew significantly at CAGRs of 11.3% and 14.4% during the period from 2016 to 2019, respectively. However, the markets are subject to intensifying competition from the Japanese manufacturers and low-priced motorbikes imported from the PRC, which resulted in the decline in the sales volume of the Group in these markets. As for Thailand, while the Group continued to expand its channels in Thailand and cooperate with its strategic alliances to provide OEM services for the brand Lambretta, the economy only grew 2.4% in 2019 and the overall sales volume of motorbikes in Thailand showed a contraction for the second consecutive year in 2019. We consider the outlook for the motorbike industries in Malaysia, the Philippines and Thailand remains cautious.

4. Trading volume of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total issued Shares and the public float during the period from 1 June 2018 to the Latest Practicable Date, being approximately two years:

	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue (Note 1)	Approximate percentage of average daily trading volume to total number of Share held by the public (Note 2)
2018			
June	78,300	0.009%	0.026%
July	43,619	0.005%	0.015%
August	47,130	0.005%	0.016%
September	67,421	0.007%	0.023%
October	85,167	0.009%	0.028%
November	52,273	0.006%	0.017%
December	43,579	0.005%	0.015%
2019			
January	79,636	0.009%	0.027%
February	128,705	0.014%	0.043%
March	182,595	0.020%	0.061%
April	114,263	0.013%	0.038%
May	107,857	0.012%	0.036%
June	98,211	0.011%	0.033%
July	80,727	0.009%	0.027%
August	36,909	0.004%	0.012%
September	70,429	0.008%	0.024%
October	558,667	0.062%	0.187%
November	64,286	0.007%	0.022%
December	59,805	0.007%	0.020%
2020			
January	125,000	0.014%	0.042%
February	96,300	0.011%	0.032%
March	101,000	0.011%	0.034%
April	41,263	0.005%	0.014%
May	211,176	0.023%	0.071%
June	4,495,625	0.495%	1.504%
July	689,591	0.076%	0.231%
From 3 August to the Latest Practicable Date	631,571	0.070%	0.211%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. Based on the number of total issued Shares as at each month end or the Latest Practicable Date as disclosed in the monthly returns of the Company.
2. Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by SY International Ltd. from the number of total issued Shares as at each month end or the Latest Practicable Date.

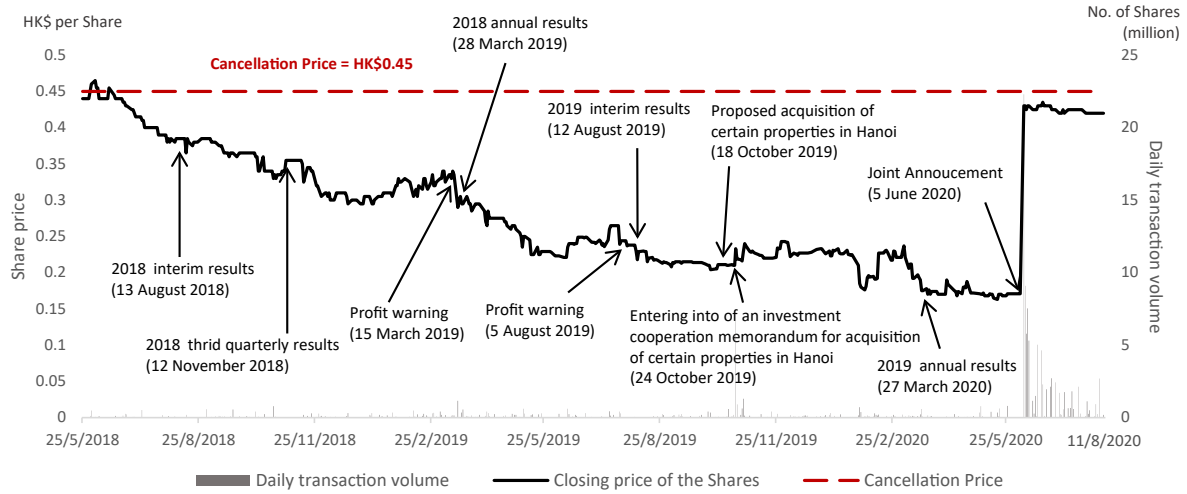
As illustrated above, the average daily trading volume of the Shares during the above period represented approximately 0.004% to 0.495% of the total issued Shares and approximately 0.012% to 1.504% of the issued Shares held by the public. We consider that the relatively high daily trading volumes in October 2019 and May 2020 might be attributable to the acquisition of certain properties in Hanoi and the entering into of an investment cooperation memorandum with a business partner for acquisition of certain properties in Hanoi in October 2019 and the publication of the unaudited results of the Group for the three months ended 31 March 2020 in May 2020. Since the publication of the Announcement, there has been a surge in trading volume of the Shares, reflecting the market reaction to the Proposal.

As illustrated above, the trading of the Shares was generally not active. Given the thin liquidity of the Shares, it may be difficult for the Scheme Shareholders to dispose of a significant number of Shares without exerting downward pressure on the Share prices. The Proposal represents an opportunity for the Scheme Shareholders to exit at the fixed Cancellation Price which is substantially above the market prices prior to the issue of the Announcement.

5. Evaluation of the Cancellation Price*(i) Share price performance*

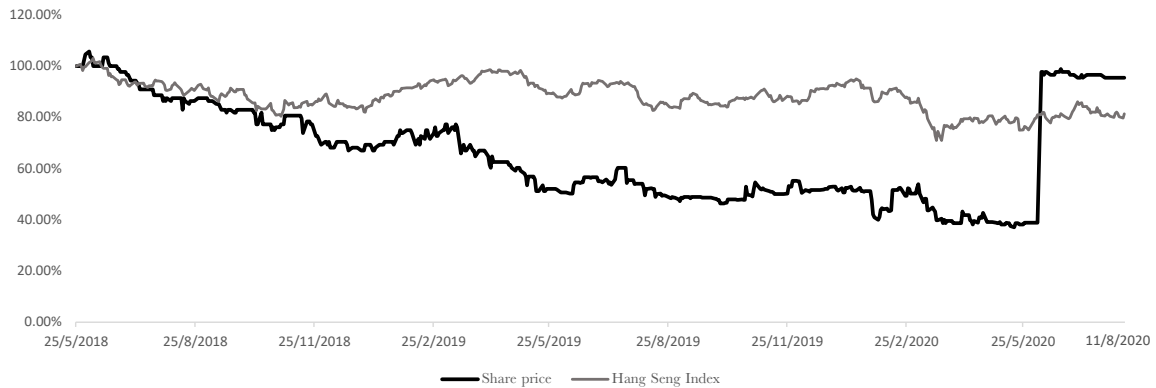
Set out below are the charts showing (a) the movements of the closing prices of the Shares (chart 1); and (b) the comparison of the performance of the Share prices with the Hang Seng Index (chart 2), from 25 May 2018 to the Latest Practicable Date (the “**Review Period**”), being approximately 2 years preceding the Last Trading Day:

Chart 1: Performance of Share price



Source: Bloomberg and the website of the Stock Exchange

Chart 2: Comparison of performance of Share prices with Hang Seng Index



Source: Bloomberg

As shown in chart 1 above, save for five trading days in June 2018 which was approximately two years ago, the Shares were traded below the Cancellation Price at all times during the Review Period. Chart 2 above illustrates the performance of the Shares compared to that of the Hang Seng Index. The performance of the Shares generally lagged behind the Hang Seng Index during the Review Period.

The closing prices of the Shares trended downward from HK\$0.44 on 25 May 2018, the beginning of the Review Period, to a low of HK\$0.295 on 31 December 2018, following the publication of the interim results for the six months ended 30 June 2018 on 13 August 2018 and the unaudited results for the nine months ended 30 September 2018 on 12 November 2018. The Share price then exhibited an upward trend and reach a high of HK\$0.34 on 14 March 2019. After publication of a profit warning announcement on 15 March 2019, the Share price trended downward and further dropped to a low of HK\$0.204 on 4 October 2019 subsequent to the release of a profit warning announcement on 5 August 2019. After the Company announced the acquisition of certain properties in Hanoi on 18 October 2019 and the entering into of an investment cooperation memorandum with a business partner for acquisition of certain properties in Hanoi on 24 October 2019, the Share price rose to a high of HK\$0.243 on 29 November 2019.

Afterwards and until the Last Trading Day, the Share price fluctuated and demonstrated a downward trend. The Share price closed at HK\$0.171 on the Last Trading Day, representing a decrease of approximately 61.1% from HK\$0.44 on 25 May 2018, the beginning of the Review Period. The Hang Seng Index decreased by approximately 23.5% during the same period.

From 25 May 2018 to the Last Trading Day (the “**Pre-announcement Period**”), the highest closing price of the Shares was HK\$0.465 on 4 June 2018 (approximately two years ago), which represented a premium of approximately 3.3% over the Cancellation Price. The lowest closing price of the Shares during the Pre-announcement Period was HK\$0.163 on 18 May 2020, which represented a discount of approximately 63.8% to the Cancellation Price.

The Share price surged by approximately 151.5% from HK\$0.171 on the Last Trading Day to HK\$0.43 on 8 June 2020, being the first trading day following the publication of the Announcement. From 8 June 2020 to the Latest Practicable Date, the Shares were traded between HK\$0.42 and HK\$0.435, representing discounts between 3.3% and 6.7% to the Cancellation Price. The Shares closed at HK\$0.42 as at the Latest Practicable Date.

We are of the view that the aforesaid surge in Share prices was driven by the announcement of the Proposal, in particular, the Cancellation Price of HK\$0.45 per Scheme Share. Scheme Shareholders should note that the Shares were traded below the Cancellation Price of HK\$0.45 in most of the time during the Review Period and the prevailing Share prices may not be sustainable if the Scheme is not approved or the Proposal otherwise lapses.

(ii) Cancellation Price comparison

The Cancellation Price of HK\$0.45 per Scheme Share represents:

- (a) a premium of approximately 163.2% over the closing price of HK\$0.171 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 167.1% over the average of the closing prices of approximately HK\$0.169 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 161.4% over the average of the closing prices of approximately HK\$0.172 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 146.7% over the average of the closing prices of approximately HK\$0.182 per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day;
- (e) a premium of approximately 134.1% over the average of the closing prices of approximately HK\$0.192 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (f) a premium of approximately 123.1% over the average of the closing prices of approximately HK\$0.202 per Share as quoted on the Stock Exchange for the 120 consecutive trading days up to and including the Last Trading Day;
- (g) a premium of approximately 117.4% over the average of the closing prices of approximately HK\$0.207 per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day;
- (h) a premium of approximately 87.8% over the average of the closing prices of approximately HK\$0.240 per Share as quoted on the Stock Exchange for the 360 consecutive trading days up to and including the Last Trading Day;
- (i) a premium of approximately 7.1% over the closing price of HK\$0.42 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (j) a discount of approximately 18.4% to the audited NAV per Share of approximately US\$0.071 (equivalent to approximately HK\$0.551) as at 31 December 2019, calculated based on the audited NAV of the Group of approximately US\$64.6 million (equivalent to approximately HK\$500.3 million) as at 31 December 2019 and 907,680,000 Shares in issue as at the Latest Practicable Date; and

- (k) a discount of approximately 12.3% to the unaudited NAV per Share of approximately US\$0.066 (equivalent to approximately HK\$0.513) as at 30 June 2020, calculated based on the unaudited NAV of the Group of approximately US\$60.1 million (equivalent to approximately HK\$465.6 million) as at 30 June 2020 and 907,680,000 Shares in issue as at the Latest Practicable Date.

(iii) Comparable companies

The Group is principally engaged in manufacture and sale of scooters, cub motor bikes, engines and related parts, and generates a majority of its revenue from Vietnam, Malaysia and the Philippines (i.e. from Asia).

Selection of valuation methodologies

Price-to-earnings (“P/E(s)”), price-to-book (“P/B(s)”) and price-to-sale (“P/S(s)”) multiples are the three most commonly used benchmarks in valuing a company. P/E is usually adopted for judging valuations for companies which are profit making. On the other hand, P/B is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and their book values approximate their fair market values whereas P/S is appropriate for valuing companies which have volatile earnings or loss but with relatively stable revenue.

Given (a) that Group was loss making with loss before interest, taxes, depreciation and amortisation for FY2019; (b) the unstable loss attributable to the Shareholders in the last three financial years, ranging from approximately US\$9.3 million to approximately US\$41.8 million; (c) the less volatile revenue of the Group in the last three financial years, ranging from approximately US\$91.5 million to approximately US\$99.5 million, as compared to the loss of the Group; and (d) that investment properties, trade receivables, other receivables and prepayments and cash and bank balances, which are considered as relatively liquid assets, constituted over 65% of total assets of the Group as at 30 June 2020, we consider the valuation methodologies using P/B and P/S more appropriate than that using P/E in valuing the Group.

Based on (a) the Cancellation Price of HK\$0.45 per Scheme Share; (b) 907,680,000 Shares in issue as at the Latest Practicable Date; and (c) the revenue for the latest twelve months ended 30 June 2020 of approximately US\$83.2 million (equivalent to approximately HK\$644.8 million), the P/S implied by the Cancellation Price is approximately 0.63 time (the “**Implied P/S**”).

Based on (a) the Cancellation Price of HK\$0.45 per Scheme Share; (b) 907,680,000 Shares in issue as at the Latest Practicable Date; and (c) the unaudited NAV of the Group of approximately US\$60.1 million (equivalent to approximately HK\$465.6 million) as at 30 June 2020, the P/B implied by the Cancellation Price is approximately 0.88 time (the “**Implied P/B**”).

*Selection of comparable companies***(a) Asia Comparable Companies**

In assessing the fairness and reasonableness of the Cancellation Price, we have, based on our search on Bloomberg, identified an exhaustive list of listed companies which (1) are engaged in, and generated a majority (i.e. over 50%) of their revenue from, manufacture and sale of motorbikes in their respective latest financial year; and (2) generated a majority (i.e. over 50%) of their revenue from Asia in their respective latest financial year. Based on these criteria, we identified eight companies (the “**Asia Comparable Companies**”).

The Asia Comparable Companies are, in our view, fair and representative given that they are principally engaged in the same sector as the Group does and have a majority of their revenue derived from Asia, which are identified on an exhaustive basis. Although the Asia Comparable Companies have different sizes, profitability and financial positions as compared to those of the Group, we consider that they can provide an indication to the valuation of companies in the same industry so as to determine whether the valuation implied by the Cancellation Price is in line with those of the Asia Comparable Companies. Given that listed motorbike manufacturers in Asia generally have larger market capitalisations, we consider that the aforesaid criteria allow us to identify a sufficient number of samples with businesses and geographical segments comparable to those of the Group for comparison purpose. As such, we consider that the Asia Comparable Companies are comparable to the Group.

Details of the Asia Comparable Companies are set out below:

Company name (stock code)	Principal activities	P/S (Note 1) (times)	P/B (Note 1) (times)	Market capitalisation on the Last Trading Day
				(HK\$ million)
Bajaj Auto Limited (“ Bajaj ”) (BJAUT.IN)	Bajaj is principally engaged in manufacturing and distribution of motorised two-wheeled and three-wheeled scooters, motorcycles and mopeds.	2.55	3.43	76,250.13
Yamaha Motor Company Limited (“ Yamaha ”) (7272.JP)	Yamaha is principally engaged in manufacturing motorcycles. It also produces motor vehicle engines.	0.32	0.80	37,900.15
TVS Motor Company Limited (“ TVS ”) (TVSL.IN)	TVS is principally engaged in manufacturing motorcycles, mopeds and scooters. It also manufactures spark ignition operated outboard motors, combustion spark ignition engines, critical engines and transmission parts.	0.93	4.67	15,741.01

Company name (stock code)	Principal activities	P/S (Note 1) (times)	P/B (Note 1) (times)	Market capitalisation on the Last Trading Day (HK\$ million)
Yadea Group Holdings Limited (“Yadea”) (1585.HK)	Yadea is principally engaged in design, research, development and manufacturing of electric scooters and bicycles.	0.88	3.41	11,590.65
Zhejiang Qianjiang Motorcycle Company Limited (“Qianjiang”) (000913.CH)	Qianjiang is principally engaged in manufacturing and marketing motorcycles, related parts, and mopeds.	1.39	1.75	5,149.70
Hong Leong Industries Berhad (“Hong Leong”) (HLL.MK)	Hong Leong is principally engaged in assembling and distribution of motorcycles and spare parts.	0.91	1.46	4,633.79
Atlas Honda Limited (“Atlas”) (ATLH.PA)	Atlas is principally engaged in manufacturing and sales of motorcycles and spare parts.	0.50	2.56	2,029.06
KR Motors Company Limited (“KR”) (000040.KS)	KR is principally engaged in manufacturing and distribution of motorcycles. It develops and produces bikes, scooters, and other related products.	0.28	1.99	447.52
	<i>Maximum</i>	2.55	4.67	
	<i>Minimum</i>	0.28	0.80	
	<i>Average</i>	0.97	2.51	
	<i>Median</i>	0.90	2.28	
The Proposal		0.63 (Note 2)	0.88 (Note 3)	155.21

Source: Bloomberg and the annual reports of the respective Asia Comparable Companies

Notes:

1. Being the P/Ss and P/Bs of the respective Asia Comparable Companies on the Last Trading Day as extracted from Bloomberg.
2. Calculated based on (i) the Cancellation Price of HK\$0.45 per Scheme Share; (ii) 907,680,000 Shares in issue as at the Latest Practicable Date; and (iii) the revenue for the latest twelve months ended 30 June 2020 of approximately US\$83.2 million (equivalent to approximately HK\$644.8 million).
3. Calculated based on (i) the Cancellation Price of HK\$0.45 per Scheme Share; (ii) 907,680,000 Shares in issue as at the Latest Practicable Date; and (iii) the unaudited NAV of the Group of approximately US\$60.1 million (equivalent to approximately HK\$465.6 million) as at 30 June 2020.

As shown above, the P/Ss of the Asia Comparable Companies ranged from approximately 0.28 time to approximately 2.55 times on the Last Trading Day. The Implied P/S of approximately 0.63 time is within the range of those of the Asia Comparable Companies.

On the other hand, the P/Bs of the Comparable Companies ranged from approximately 0.80 time to approximately 4.67 times on the Last Trading Day. The Implied P/B of approximately 0.88 time is within the range of those of the Asia Comparable Companies.

Although the Implied P/S and the Implied P/B are in the low end of the ranges of those of the Asia Comparable Companies, it should not be the only factor to determine the fairness and reasonableness of the Cancellation Price. The premiums of the Cancellation Price over the historical Share prices during the Review Period, the comparison of the Implied P/S and the Implied P/B with those of the FDI Comparable Companies (as defined below), the historical P/Ss and P/Bs of the Company and the pricings of the Privatisation Precedents (as defined below) should also be taken into consideration as a whole in the assessment of the Cancellation Price, the details of which are set out in this section.

(b) FDI Comparable Companies

The principal operation of the Group is located in Vietnam which accounted for over 50% of the Group's revenue for FY2019. According to VAMM, Vietnam is currently ranked fourth in the world in terms of domestic motorbike consumption, of which the five largest manufacturers of motorbikes are foreign-invested corporations, namely Honda, Suzuki, Yamaha, Piaggio and the Company (the "**Major Manufacturers**"), have already accounted for over 95% of the market share in Vietnam. The parent company of the Company is Sanyang which is the ultimate controlling shareholder of the Company and the sole shareholder of the Offeror.

According to VAMM, the Major Manufacturers sold 3,254,964 and 1,249,997 units of motorbikes (including cubs, scooters, clutches and sport-bike types) in the local Vietnamese market in 2019 and 2020 H1, among which, the Group sold an aggregate of approximately 63,400 and 15,000 units of scooters, cubs and electric motorbikes as disclosed in the 2019 Annual Report and the 2020 H1 Results, representing approximately 1.95% and 1.20% of those sold by the Major Manufacturers, respectively. Although the Japanese brands have dominated the motorbike market in Vietnam, the Group remains a major player in the domestic market.

In assessing the fairness and reasonableness of the Cancellation Price, we have also considered the parent companies (the “**FDI Comparable Companies**”) of the Major Manufacturers which are overseas-listed companies. Although the FDI Comparable Companies have much larger sizes than the Group does and different geographic segments from the Group, we consider that they can provide a general reference to the valuation of the domestic motorbike manufacturers given that the FDI Comparable Companies are the key players in the motorbike market in Vietnam and that listed foreign-invested motorbike manufacturers in Vietnam typically have larger market capitalisations. Since the FDI Comparable Companies have dominated the motorbike market in Vietnam where the Group derives a majority of its revenue from and is a major player in Vietnam, we consider that the FDI Comparable Companies is representative of the domestic motorbike market and can provide an indication as to the valuation of the Group so as to evaluate the fairness and reasonableness of the Cancellation Price.

Details of the FDI Comparable Companies are set out below:

Company name (stock code)	Principal activities	Major geographic segment (percentage of total revenue in latest financial year)	P/S <i>(Note 1)</i> <i>(times)</i>	P/B <i>(Note 1)</i> <i>(times)</i>	Market capitalisation on the Last Trading Day <i>(HK\$ million)</i>
Honda Motor Company Limited (“ Honda ”) (7267.JP)	Honda is principally engaged in developing, manufacturing, and distribution of motorcycles, automobiles, and power products such as generators and farm machinery.	North America (54.7%)	0.32	0.59	358,159.72
Suzuki Motor Corporation (“ Suzuki ”) (7269.JP)	Suzuki manufactures automobiles, motorcycles, and their related parts. It has production facilities in the United States, Japan, Taiwan, India, Pakistan, Indonesia, Thailand, and Hungary.	Asia, excluding Japan (43.7%)	0.51	1.23	133,494.62
Yamaha (7272.JP)	Yamaha is principally engaged in manufacturing motorcycles. It also produces motor vehicle engines.	Asia, excluding Japan (43.5%)	0.32	0.80	37,900.15
Piaggio & C. S.p.A (“ Piaggio ”) (PIA.IM)	Piaggio is principally engaged in the manufacture and sale of two-wheeler motor vehicles and commercial vehicles in Europe and internationally.	Europe and America (57.0%)	0.52	1.98	6,552.30

Company name (stock code)	Principal activities	Major geographic segment (percentage of total revenue in latest financial year)	P/S <i>(Note 1)</i> <i>(times)</i>	P/B <i>(Note 1)</i> <i>(times)</i>	Market capitalisation on the Last Trading Day <i>(HK\$ million)</i>
Sanyang (2206.TT) <i>(Note 2)</i>	Sanyang manufactures and markets automobiles, motorcycles, and parts. It also provides related technical and consulting services.	Taiwan (64.7%)	0.50	1.27	4,559.00
	<i>Maximum</i>		0.52	1.98	
	<i>Minimum</i>		0.32	0.59	
	<i>Average</i>		0.43	1.17	
	<i>Median</i>		0.50	1.23	
The Proposal			0.63	0.88	155.21

Source: Bloomberg and the annual reports of the respective FDI Comparable Companies

Note:

1. Being the P/Ss and P/Bs of the respective FDI Comparable Companies on the Last Trading Day as extracted from Bloomberg.
2. Sanyang is the ultimate controlling shareholder of the Company and the sole shareholder of the Offeror.

As shown above, the P/Ss of the FDI Comparable Companies ranged from approximately 0.32 time to approximately 0.52 time on the Last Trading Day. The Implied P/S of approximately 0.63 time is higher than all the P/Ss of the FDI Comparable Companies.

On the other hand, the P/Bs of the FDI Comparable Companies ranged from approximately 0.59 time to approximately 1.98 times on the Last Trading Day. The Implied P/B of approximately 0.88 time is within the range of those of the FDI Comparable Companies.

As a general reference only, the valuation of the Group as implied by the Cancellation Price compares favorably to, or is within the range of, those of the FDI Comparable Companies.

(iv) Dividend yields

The Company has not declared any dividends since the year ended 31 December 2012. On the contrary, the dividend yield of the Hang Seng Index, a benchmark that tracks the largest and most liquid stocks listed on the Stock Exchange, was approximately 4.02% and 3.74% on the Last Trading Day and the Latest Practicable Date, respectively.

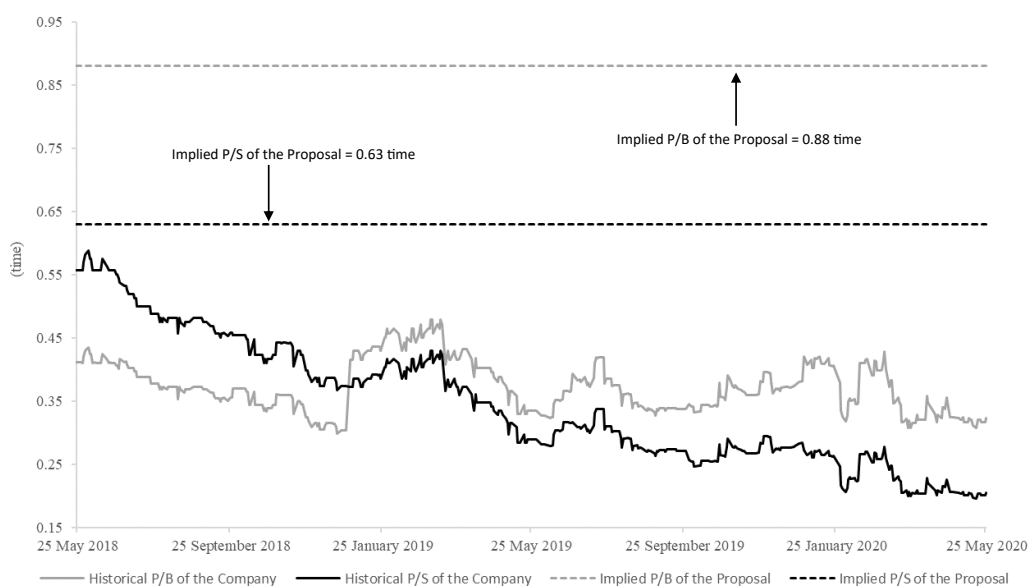
If the Scheme becomes effective and the Proposal is implemented, the Scheme Shareholders who place a high priority on dividend income would have the opportunity to re-invest the proceeds from the Proposal in other listed companies that have higher historical dividend yields.

(v) *Comparison with historical P/Ss and P/Bs of the Company*

Set out below are the trailing P/Ss and P/Bs of the Company during the Pre-announcement Period, calculated based on (a) the respective market capitalisations of the Company on the respective dates; and (b) the respective revenue for the latest published twelve-month period or the respective latest published NAV of the Group, as extracted from Bloomberg:

	Historical P/S		Historical P/B	
	Low (times)	High (times)	Low (times)	High (times)
25 May 2018 to 31 December 2018	0.37	0.59	0.30	0.43
2 January 2019 to 31 December 2019	0.25	0.43	0.32	0.48
2 January 2020 to the Last Trading Day	0.20	0.28	0.31	0.43

Source: Bloomberg



Source: Bloomberg

During the period from 25 May 2018 to the Last Trading Day (i.e. the Pre-announcement Period), the Shares closed at P/Ss ranging from approximately 0.20 time to approximately 0.59 time with an average and median of approximately 0.35 time and 0.31 time, respectively. The Implied P/S of approximately 0.63 time is higher than all the historical P/Ss of the Company during the Pre-announcement Period.

During the Pre-announcement Period, the Shares closed at P/Bs ranging from approximately 0.30 time to approximately 0.48 time with an average and median of approximately 0.37 time and 0.37 time, respectively. The Implied P/B of approximately 0.88 time is higher than all the historical P/Bs of the Company during the Pre-announcement Period.

As shown in the chart above, the Implied P/S and the Implied P/B are above the historical P/Ss and P/Bs of the Company at all times during the Pre-announcement Period, respectively. This indicates that the Shareholders could not realise their investments in the Shares at the valuations implied by the Cancellation Price on the market during the two-year period prior to the Last Trading Day.

(vi) Privatisation Precedents

We have, on an exhaustive basis, reviewed a list of privatisation precedents involving companies listed on the Stock Exchange announced since 1 January 2019 and up to the Last Trading Day (the “**Privatisation Precedents**”) which were either successful or ongoing, as identified from the website of the Stock Exchange.

Although the target companies involved in the Privatisation Precedents have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we consider that the Privatisation Precedents can provide a general reference to the pricing trend of recent privatisation transactions, i.e. the amount that the offerors are willing pay to the independent shareholders to accept the proposals, so as to determine whether the Cancellation price is in line with those of recent privatisation transactions in the market.

The table below illustrates the premiums/discounts of the offer/cancellation prices offered by the Privatisation Precedents over/to the prevailing share prices prior to the issue of the relevant privatisation announcements as well as the net asset value per share of the Privatisation Precedents:

Date of announcement	Company (stock code)	Principal activities	Premium of offer/cancellation price over the share price on the last trading day prior to announcement of privatisation	Premium of offer/cancellation price over 30-day average share price prior to announcement of privatisation	Premium of offer/cancellation price over 90-day average share price prior to announcement of privatisation	Premium/ (discount) of offer/cancellation price over/(to) 180-day average share price prior to announcement of privatisation	Premium/ (discount) of offer/cancellation price over/(to) net asset value per share	Offering Method	Results
4 May 2020	Easy One Financial Group Limited (221.HK)	Provision of finance and securities brokerage services in HK and property development in the PRC	44.4%	90.1%	103.1%	107.6%	(54.6%)	Scheme of arrangement	Ongoing
20 April 2020	Allied Properties (HK) Limited (56.HK)	Property investment and development, hospitality related activities and the provision of finance and investments in listed and unlisted securities	34.3%	39.1%	29.7%	23.1%	(66.3%)	Scheme of arrangement	Ongoing
3 April 2020	Elec & Eltek International Company Limited (1151.HK)	Design, development, manufacture and distribution of high-density, double-sided and multi-layered printed circuit boards	70.5%	41.5%	44.4%	53.5%	0.0%	Voluntary conditional cash offer	Successful
20 March 2020	Li & Fung Limited (494.HK)	Management of supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide	150.0%	95.2%	62.1%	43.8%	8.2%	Scheme of arrangement	Successful
27 February 2020	Wheelock and Company Limited (20.HK)	Property development	52.2%	45.2%	45.9%	45.2%	(44.3%)	Scheme of arrangement	Successful
29 January 2020	Kingsley Edugroup Limited (8105.HK)	Provision of private education service based in Subang Jaya, Selangor, Malaysia	12.5%	4.3%	5.4%	(6.5%)	198.3%	Voluntary conditional general cash offer	Successful
20 January 2020	BBI Life Sciences Corporation (1035.HK)	Provision of DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services	16.3%	42.5%	47.9%	56.7%	111.6%	Scheme of arrangement	Successful

Date of announcement	Company (stock code)	Principal activities	Premium of/cancellation price over the share price on the last trading day prior to announcement of privatisation	Premium of offer/cancellation price over 30-day average share price prior to announcement of privatisation	Premium of offer/cancellation price over 90-day average share price prior to announcement of privatisation	Premium/(discount) of offer/cancellation price over/(to) 180-day average share price prior to announcement of privatisation	Premium/(discount) of offer/cancellation price over/(to) net asset value per share	Offering Method	Results
12 December 2019	Joyce Boutique Group Limited (647.HK)	Retail and wholesale distribution, primarily under exclusive franchise agreements, of leading international fashion, accessory and beauty product brands	91.8%	82.2%	50.5%	32.2%	19.9%	Scheme of arrangement	Successful
27 November 2019	China Agri-Industries Holdings Limited (606.HK)	Production and sales of processed agricultural products in the PRC	34.1%	53.2%	72.5%	70.0%	(25.3%)	Scheme of arrangement	Successful
1 November 2019	Springland International Holdings Limited (1700.HK)	Operation of department stores and supermarkets in the PRC	63.1%	56.8%	53.2%	48.6%	(18.1%)	Scheme of arrangement	Successful
20 October 2019	Dah Chong Hong Holdings Limited (1828.HK)	Distribution of integrated motor and consumer products across 12 Asian economies with an extensive logistics network	37.6%	54.8%	54.2%	41.2%	(28.2%)	Scheme of arrangement	Successful
3 October 2019	Huaneng Renewables Corporation Limited (958.HK)	Investment, construction and operation of new energy projects, focuses on developing and operating wind power projects while promoting synergistic growth of solar and other renewable energies	46.1%	55.7%	51.3%	45.4%	(4.6%)	Voluntary conditional offer	Successful
2 October 2019	AVIC International Holdings Limited (161.HK)	Manufacturing and sales of flat panel displays, printed circuit boards and watches, international engineering and trading and logistic business, shopping business and engineering, procurement and construction projects	29.1%	81.3%	100.2%	92.1%	18.4%	Voluntary conditional offer	Successful
12 August 2019	TPV Technology Limited (903.HK)	Manufacture of internationally-renowned monitor and televisions	41.4%	54.5%	87.4%	138.8%	(23.9%)	Scheme of arrangement	Successful
27 June 2019	Asia Satellite Telecommunications Holdings Limited (1135.HK)	Provision of satellite transponder capacity	23.4%	44.4%	56.5%	71.0%	10.0%	Scheme of arrangement	Successful
18 June 2019	C.P. Lotus Corporation (121.HK)	Operation of large-scale supermarket stores located in the northern, southern and eastern parts of China	10.0%	29.4%	26.5%	21.9%	52.8%	Scheme of arrangement	Successful

Date of announcement	Company (stock code)	Principal activities	Premium of offer/cancellation price over the share price on the last trading day prior to announcement of privatisation	Premium of offer/cancellation price over 30-day average share price prior to announcement of privatisation	Premium of offer/cancellation price over 90-day average share price prior to announcement of privatisation	Premium/ (discount) of offer/cancellation price over/(to) 180-day average share price prior to announcement of privatisation	Premium/ (discount) of offer/cancellation price over/(to) net asset value per share	Offering Method	Results
14 June 2019	China Automation Group Limited (569.HK)	Provision of safety and critical control system and control valves specialised for petrochemical industries, along with related maintenance and engineering services; and hospital services business in Suzhou, the PRC	24.0%	47.8%	46.6%	42.5%	16.0%	Scheme of arrangement	Successful
4 April 2019	China Hengshi Foundation Company Limited (1197.HK)	Design, manufacture and sale of fiberglass fabrics	10.6%	17.4%	24.4%	27.6%	42.1%	Scheme of arrangement	Successful
28 March 2019	China Power Clean Energy Development Company Limited (735.HK)	Development, construction, ownership, operation and management of clean energy power plants in the PRC	41.9%	78.1%	101.9%	88.6%	(35.1%)	Scheme of arrangement	Successful
26 February 2019	Hanergy Thin Film Power Group Limited (566.HK)	Thin-film solar energy business	(Note)	(Note)	(Note)	(Note)	(Note)	Scheme of arrangement	Successful
		<i>Maximum</i>	150.0%	95.2%	103.1%	138.8%	198.3%		
		<i>Minimum</i>	10.0%	4.3%	5.4%	(6.5%)	(66.3%)		
		<i>Average</i>	43.9%	53.3%	56.0%	54.9%	9.3%		
		<i>Median</i>	37.6%	53.2%	51.3%	45.4%	0.0%		
5 June 2020	The Company (422.HK)	Manufacture and sale of scooters, cub motor bikes, engines and related parts	163.2%	161.4%	134.1%	117.4%	(12.3%)	Scheme of arrangement	

Source: Scheme documents, circulars and Bloomberg

Note: the considerations for each scheme share and each share option under the privatisation proposal were one share and one share option of a special purpose vehicle company incorporated in the British Virgin Islands which was a private company, respectively. As such, the cancellation price under the proposal could not be determined.

As illustrated in the table above:

- (a) the premiums as represented by the Cancellation Price over the closing price of the Shares on the Last Trading Day and the average closing prices of the Shares for the periods of 30 and 90 trading days up to and including the Last Trading Day amounted to approximately 163.2%, 161.4% and 134.1%, respectively, which were all higher than the highest premiums of those of the Privatisation Precedents;
- (b) the premium as represented by the Cancellation Price over the average closing price of the Shares for the 180 trading days up to and including the Last Trading Day amounted to approximately 117.4%, respectively, which was in the high end of the range of those of the Privatisation Precedents; and
- (c) the discount as represented by the Cancellation Price to the unaudited NAV per Share as at 30 June 2020 was 12.3%, which was within the range of those of the Privatisation Precedents.

(vii) Overall comments

Taking into consideration of the following as a whole:

- (a) save for five trading days in June 2018 which was approximately two years ago, the closing prices of the Shares were below the Cancellation Price at all times during the Review Period;
- (b) the performance of the Shares generally lagged behind the Hang Seng Index during the Review Period;
- (c) the premiums of the Cancellation Price of HK\$0.45 per Scheme Share to the closing Share prices for various periods in the 360 trading days before the announcement of the Proposal are significant, in the range of approximately 87.8% to 167.1%;
- (d) the P/S and P/B as implied by the Cancellation Price were approximately 0.63 time and 0.88 time, respectively, which were within, and in the low end of, the range of those of the Asia Comparable Companies on the Last Trading Day, indicating that the valuation of the Company as implied by the Cancellation Price is comparable to those of the Asia Comparable Companies;
- (e) the P/S and P/B as implied by the Cancellation Price were higher than all the P/Ss of, and within the range of the P/Bs of, the FDI Comparable Companies on the Last Trading Day, respectively, indicating that the valuation of the Company as implied by the Cancellation Price is comparable to those of the FDI Comparable Companies;
- (f) the historical P/Bs and P/Ss of the Company were below the Implied P/B and the Implied P/S at all times during the Pre-announcement Period, indicating that the Shareholders could not realise their investments in the Shares at the valuations implied by the Cancellation Price during the two-year period prior to the Last Trading Day; and

- (g) the premiums as represented by the Cancellation Price were approximately 163.2%, 161.4%, 134.1% and 117.4% over the closing price on the Last Trading Day, and the average closing prices for the periods of 30, 90 and 180 trading days up to and including the Last Trading Day, respectively, which are higher than, or within the range of, those of the Privatisation Precedents whereas the discount of the Cancellation Price to the unaudited NAV per Share as at 30 June 2020 of approximately 12.3% is within the range of those of the Privatisation Precedents,

we consider the Cancellation Price to be fair and reasonable.

The Share price is the market consensus of the valuation of the Company. Scheme Shareholders can only realise their investments in the Shares through disposals of the Shares but not by way of disposal of any portion of the underlying net assets of the Group. During the Pre-announcement Period, being approximately two years prior to the Last Trading Day, the Shares closed at P/Bs ranging from approximately 0.30 time to approximately 0.48 time. In other words, the Share prices closed at discounts to the then NAV per Share at all times during the said period ranging from approximately 52.0% to approximately 70.0%, even greater than that represented by the Cancellation Price. That means, Scheme Shareholders could not realise their investments in the Shares at the entire underlying NAV of the Group per Share on the market. Given that the discount of the Cancellation Price to the unaudited NAV per Share as at 30 June 2020 is lower than the historical discounts of the Share closing prices to the then NAV per Share at all times during the Pre-announcement Period, we consider such discount to be acceptable.

OPINION AND RECOMMENDATION

In arriving at our recommendation in respect of the Proposal, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- *the Proposal represents an opportunity for the Scheme Shareholders to realise their investments in the Shares at substantial premiums over the then Share prices prior to the issue of the Announcement without suffering illiquidity discount*

The premiums as represented by the Cancellation Price were approximately 163.2%, 167.1%, 161.4%, 146.7%, 134.1%, 123.1%, 117.4% and 87.8% over the closing price on the Last Trading Day, and the average closing prices for the periods of 10, 30, 60, 90, 120, 180 and 360 trading days up to and including the Last Trading Day, respectively.

The closing price of the Shares on the Last Trading Day was HK\$0.171 and surged by approximately 151.5% to HK\$0.43 on 8 June 2020, being the first trading day following the issue of the Announcement. Such increase in Share price was driven by the announcement of the Proposal, in particular, the Cancellation Price of HK\$0.45 per Scheme Share. From 8 June 2020 to the Latest Practicable Date, the average closing price of the Shares was approximately HK\$0.424 per Share. The Share price closed at HK\$0.42 as at the Latest Practicable Date.

Although the Cancellation Price represents a discount to the unaudited NAV per Share of approximately 12.3% as 30 June 2020, such discount is within the range of those of the Privatisation Precedents.

The Share price is the market consensus of the valuation of the Company. Scheme Shareholders can only realise their investments in the Shares through disposals of the Shares but not by way of disposal of any portion of the underlying net assets of the Group. During the Pre-announcement Period, being approximately two years prior to the Last Trading Day, the Shares closed at P/Bs ranging from approximately 0.30 time to approximately 0.48 time. In other words, the Share prices closed at discounts to the then NAV per Share at all times during the said period ranging from approximately 52.0% to approximately 70.0%, even greater than that represented by the Cancellation Price. That means, Scheme Shareholders could not realise their investments in the Shares at the entire underlying NAV of the Group per Share on the market. Given that the discount of the Cancellation Price to the unaudited NAV per Share as at 30 June 2020 is lower than the historical discounts of the Share closing prices to the then NAV per Share at all times during the Pre-announcement Period, we consider such discount to be acceptable.

Scheme Shareholders should be reminded that the prevailing Share prices may not be sustainable if the Scheme is not approved or the Proposal otherwise lapses.

The average daily trading volume per month between 1 June 2018 and the Latest Practicable Date ranged from 36,909 Shares to 4,495,625 Shares, representing approximately 0.012% to 1.504% of the Shares held by the public. Given the thin liquidity of the Shares, it may be difficult for the Scheme Shareholders to dispose of a significant number of Shares without exerting downward pressure on the Share prices;

- *the outlook for the motorbike industries in the core markets of the Group remains challenging both in the short- and long-run*

Vietnam, Malaysia and the Philippines remain the three core markets of the Group, accounting for approximately 51.0%, 26.5% and 9.7% of total revenue for FY2019 and approximately 48.9%, 21.2% and 10.0% of total revenue for 2020 H1, respectively. Thailand represents another important market of the Group which contributed approximately 7.2% and 10.6% of total revenue for FY2019 and 2020 H1, respectively. Since the beginning of 2020, the economic growth and the motorbike industries in these regions have been adversely affected by the outbreak of the novel coronavirus which has disrupted a wide range of consumption activities, resulting in a slowdown or even suspension in sales. IMF projected that the economic growth in these regions would significantly slow or even shrink in 2020, but rebound remarkably in 2021. In our view, the outlook is concerning in the short term although the impact of the epidemic is temporary and will not persist for a long period of time.

While Vietnam has experienced remarkable economic growth of above 6.5% in the past few years, the domestic motorbike market is undergoing saturation as evidenced by the contraction of sales volume of motorbikes by 3.9% in 2019 followed by decelerating growth from 9.5% in 2016 to 4.8% and 3.5% in 2017 and 2018, respectively. As disclosed in the 2019 Annual Report, with improving living standard, people in Vietnam tend to choose automobiles as a means of transport. Furthermore, in August 2017 and August 2018, the Vietnamese government proposed to restrict and eventually ban motorbikes in urban districts of Hanoi and Ho Chi Minh City by 2030, respectively. Revenue generated by the Group from Vietnam only grew slightly by 1.2% for FY2019. Coupled with the dominant position of the Japanese manufacturers (including Honda, Yamaha and Suzuki) with strong brand names and pricing competitiveness, we consider the outlook for the motorbike industry in Vietnam remains challenging in the long run. Price volatility and competition are expected to persist due to the challenging business environment in the Vietnamese motorbike industry as stated in the 2019 Annual Report.

As for Malaysia and the Philippines, while sales volume of motorbikes in these regions grew significantly during the period from 2016 to 2019, the motorbike industries in these regions are subject to intensifying competition from the Japanese manufacturers and low-priced motorbikes imported from the PRC, which resulted in the decline in the sales volume of the Group in these markets. As for Thailand, while the Group continued to expand its channels in Thailand and cooperate with its strategic alliances to provide OEM services for the brand Lambretta, the overall sales volume of motorbikes in Thailand showed a contraction for the second consecutive year in 2019. We consider the outlook for the motorbike industries in Malaysia, the Philippines and Thailand remains cautious.

Notwithstanding the overall decrease in operating loss for FY2019 and 2020H1 and the net current asset and net cash position of the Group, the business environment of the Group is considered by the management as challenging and competitive in the 2019 Annual Report. It is expected that the Group's business will continue to encounter tough challenges in the second half of 2020 as disclosed in the 2020 H1 Results;

- *the Proposal provides an opportunity for the Scheme Shareholders to re-invest the proceeds from the Proposal in other listed companies for dividend income*

The Hang Seng Index generally outperformed the Share prices during the Review Period, with dividend yields of approximately 4.02% and 3.74% on the Last Trading Day and the Latest Practicable Date, respectively. Prior to the publication of the Announcement, the Share price and the Hang Seng Index declined by approximately 61.1% and 23.5% during the Review Period, respectively. The Company has not declared any dividends since the year ended 31 December 2012.

The Scheme Shareholders who place a high priority on dividend income would have the opportunity to re-invest the proceeds from the Proposal in other listed companies that have higher historical dividend yields; and

- *the Cancellation Price is fair and reasonable*

In evaluating the fairness and reasonableness of the Cancellation Price, we have taken into account the following:

- (i) save for five trading days in June 2018 which was approximately two years ago, the closing prices of the Shares were below the Cancellation Price at all times during the Review Period;
- (ii) the performance of the Shares generally lagged behind the Hang Seng Index during the Review Period;
- (iii) the premiums of the Cancellation Price of HK\$0.45 per Scheme Share to the closing Share prices for various periods in the 360 trading days before the announcement of the Proposal are significant, in the range of approximately 87.8% to 167.1%;
- (iv) the P/S and P/B as implied by the Cancellation Price were approximately 0.63 time and 0.88 time, respectively, which were within, and in the low end of, the range of those of the Asia Comparable Companies on the Last Trading Day, indicating that the valuation of the Company as implied by the Cancellation Price is comparable to those of the Asia Comparable Companies; and
- (v) the historical P/Bs and P/Ss of the Company were below the Implied P/B and the Implied P/S at all times during the Pre-announcement Period, indicating that the Shareholders could not realise their investments in the Shares at the valuations implied by the Cancellation Price during the two-year period prior to the Last Trading Day.

Based on the above, we consider that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned and accordingly advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

The Independent Shareholders are reminded that if the Scheme is not approved or the Proposal otherwise lapses, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance industry.

This Explanatory Statement constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

**A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)
TO CANCEL AND EXTINGUISH ALL THE SCHEME SHARES**

1. INTRODUCTION

On 26 May 2020, the Offeror requested the Board to put forward the Proposal, which will involve the Scheme to cancel and extinguish the Scheme Shares and the payment of the Cancellation Price to Scheme Shareholders, and the withdrawal of the listing of the Shares on the Stock Exchange. The Proposal will be carried out by way of a scheme of arrangement under Section 86 of the Companies Law.

If the Scheme is approved and the Proposal is implemented, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished respectively. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The purpose of this Explanatory Statement is to set out the terms and effects of the Proposal and to give the Independent Shareholders other relevant information in relation to the Proposal, in particular, to provide the intentions of the Offeror with regard to the Company and the shareholding structure of the Company before and after the Scheme becoming effective.

Particular attention is drawn to (a) a letter from the Board set out in Part IV of this Scheme Document; (b) a letter of recommendation from the Independent Board Committee set out in Part V of this Scheme Document; (c) a letter of advice from Rainbow Capital set out in Part VI of this Scheme Document; and (d) the Scheme set out in Appendix III to this Scheme Document.

2. THE PROPOSAL

The Scheme

Under the Scheme, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$0.45 in cash for each Scheme Share cancelled and extinguished.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The Cancellation Price of HK\$0.45 per Scheme Share cancelled and extinguished represents:

- a premium of approximately 7.1% over the closing price of HK\$0.420 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 163.2% over the closing price of HK\$0.171 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 167.1% over the average closing price of approximately HK\$0.169 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 161.4% over the average closing price of approximately HK\$0.172 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 146.7% over the average closing price of approximately HK\$0.182 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 134.1% over the average closing price of approximately HK\$0.192 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 123.1% over the average closing price of approximately HK\$0.202 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 117.4% over the average closing price of approximately HK\$0.207 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a discount of approximately 18.4% over the audited consolidated net asset value after deducting non-controlling interests (the “NAV”) per Share of approximately HK\$0.551 as at 31 December 2019, calculated based on the NAV of the Group of approximately US\$64,560,788 (equivalent to approximately HK\$500,346,107) and the 907,680,000 Shares in issue as at the Latest Practicable Date; and
- a discount of approximately 12.3% over the unaudited consolidated NAV per Share of approximately HK\$0.513 as at 30 June 2020, calculated based on the unaudited NAV of the Group of approximately US\$60,081,397 (equivalent to approximately HK\$465,630,827) and the 907,680,000 Shares in issue as at the Latest Practicable Date.

The Cancellation Price has been determined on an arm’s length basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic trended prices of the Shares, publicly available financial information of the Company, and other privatisation transactions in Hong Kong in recent years.

Highest and lowest prices of the Shares

During the 3 years ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.480 on 2 June to 23 June, 17 July, 18 July, 21 July, 24 July, 31 July, 4 August, 9 August and 10 August, 2017 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.163 on 18 May 2020.

Trading volume and liquidity of the Shares

The trading volume and liquidity of the Shares during the relevant periods prior to and including the Last Trading Day are illustrated below:

- on the Latest Practicable Date, a total number of approximately 264,000 Shares, representing approximately 0.029% of the issued Shares as of Latest Practicable Date, were traded with a turnover of approximately HK\$110,880;
- on the Last Trading Day, a total number of approximately 800,000 Shares, representing approximately 0.088% of the issued Shares as of Last Trading Day, were traded with a turnover of approximately HK\$136,171;
- during the period from the last 10 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 231,100 Shares, representing approximately 0.025% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$39,117;
- during the period from the last 30 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 141,933 Shares, representing approximately 0.016% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$24,201;
- during the period from the last 60 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 111,317 Shares, representing approximately 0.012% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$19,802;
- during the period from the last 90 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 112,556 Shares, representing approximately 0.012% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$20,838;
- during the period from the last 120 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 101,918 Shares, representing approximately 0.011% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$19,574;
- during the period from the last 180 trading days up to and including the Last Trading Day, an average daily trading volume of approximately 148,495 Shares, representing approximately 0.016% of the issued Shares as of Last Trading Day, and average daily turnover of approximately HK\$31,020;

During the period from the last 180 trading days up to and including the Last Trading Day, there was no trading of the Shares on 44 trading days, representing approximately 24.44% of the total number of trading days during that period.

The Scheme Conditions

The implementation of the Proposal is, and the Scheme will become effective and binding on the Offeror, the Company and the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than 75% in value of the Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) (i) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Shares held by all the Independent Shareholders;
- (c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter increase the issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the number of issued Shares in the share capital of the Company referred to in paragraph (c)(i) above;
- (f) all authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal required before the Scheme becoming effective having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (g) all authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal required before the Scheme becoming effective remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) all necessary consents which may be required for the implementation of the Proposal under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or its implementation in accordance with its terms) from the Announcement Date up to the date when all the Scheme Conditions are satisfied or validly waived (as applicable), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal;

- (j) there being no provision of any arrangement, agreement, licence or other instrument to which any member of the Group is a party or by or to which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Proposal could or might reasonably result in, to an extent which is material in the context of the Group taken as a whole from the Announcement Date up to the date when all the Scheme Conditions are satisfied or validly waived (as applicable):
- any monies borrowed by or other indebtedness (actual or contingent) of any member of the Group being repayable or being capable of being declared payable prior to their stated maturity;
 - the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the Group or any such security (whether arising or having arisen) becoming enforceable; and
 - any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or any material action being taken or any material obligation arising thereunder; and
- (k) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the Group from the Announcement Date up to the date when all the Scheme Conditions are satisfied or validly waived (as applicable).

The Offeror reserves the right to waive Scheme Conditions (f) to (k) either in whole or in part, either generally or in respect of any particular matter. Scheme Conditions (a) to (e) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Scheme Conditions. All of the above Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will lapse. When all the Scheme Conditions are satisfied or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all the Scheme Shareholders.

Assuming that the Scheme Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on 6 October 2020 (Cayman Islands time) and 7 October 2020 (Hong Kong time). A detailed timetable is set out in Part III of this Scheme Document.

In respect of Scheme Conditions (f) to (h), apart from the Scheme Condition (d) and the approval from each of the board of directors of Sanyang, the Offeror and the Company in respect of the implementation of the Proposal, the Offeror is not currently aware of any other authorisations or consents which are required. As at the Latest Practicable Date, the approvals from each of the board of directors of Sanyang, the Offeror and the Company in respect of the implementation of the Proposal have been obtained. None of the above Scheme Conditions have been fulfilled or waived as at the Latest Practicable Date.

WARNING

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal is subject to the Scheme Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

3. REASONS FOR AND BENEFITS OF THE PROPOSAL

The Proposal represents a good opportunity for the Scheme Shareholders to realise their investment with a significant premium against the backdrop of low liquidity

The Offeror considers that the Proposal will provide Scheme Shareholders with an opportunity to realise their investment in the Company at a price significantly above the prevailing market price of the Shares in light of the challenging and uncertain operating environment faced by the Company.

The Cancellation Price, being HK\$0.45 per Share, represents a premium of approximately 163.2% over the closing price of HK\$0.171 per Share as quoted on the Stock Exchange on the Last Trading Day. It also represents a premium of approximately 161.4%, 134.1% and 117.4% over the average closing price of approximately HK\$0.172, HK\$0.192 and HK\$0.207 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30, 90 and 180 trading days up to and including the Last Trading Day, respectively.

During the one year up to and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.163 and HK\$0.265, respectively. The Cancellation Price represents a premium of approximately 176.1% over the lowest closing price and a premium of approximately 69.8% over the highest closing price in the above period.

The liquidity of Shares has been at a relatively low level over a long period of time. The average daily trading volume of the Shares for the one year up to and including the Last Trading Day was approximately 125,522 Shares per day, representing only approximately 0.014% of the issued Shares as of the Last Trading Day and average daily turnover of approximately HK\$26,709. The low trading liquidity of the Shares makes it difficult for Shareholders to execute on-market disposals without adversely affecting the share price of the Company.

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

Cost and expenses of maintaining the Company's listing status

To maintain its listed status, the Company faces administrative and compliance burdens, as well as related costs and expenses. Since its listing, the listing platform of the Company has not been utilized for any material external equity fund raising activities. Due to the illiquidity in trading of the Shares and the general decreasing trend in stock price of the Shares in recent years in the trading of the Shares, it is difficult to raise funds through equity financing, and the Offeror believes the position is unlikely to improve significantly in the near future. As such, the Offeror considers the administrative and compliance costs and management resources associated with maintaining the Company's listing status are no longer justified.

Furthermore, following the implementation of the Proposal, the Company can be relieved from market expectations and share price fluctuation as a publicly listed company. The management of the Company can also utilize the resources which would otherwise go towards administrative, compliance and other listing-related matters of the Company on business operations of the Group.

The Proposal will enable the Group to execute its strategies more efficiently and effectively

The principal activities of the Group are the manufacturing and sale of scooters, cub motor bikes, engines and related parts. The products are mainly distributed domestically in Vietnam and exported to other Southeast Asia countries. The motorbike industry has been experiencing a number of challenges including intensified price competition by other market players that seize market share in Vietnam aggressively, the continued decrease in export sales in Southeast Asia due to the import of low-priced motorbikes from China, increasing sales requirements such as smaller order sizes and quicker turnaround time that undermined economies of scale, rising costs of labour and raw materials in Vietnam, and tightened regulatory controls in Vietnam including air pollution standards for vehicles and motorbikes. All the above have contributed to the continued net losses of the Group in recent years. In order to achieve long-term commercial development and maintain competitiveness, the Group needs to reassess its strategies and implement necessary changes to its business model.

In response to the tough business environment, the Group has been reviewing its business operation and strategies, and with the Proposal being implemented, the Group will be in a better position to execute its business strategies more efficiently and effectively as a private entity. With the Company becoming an unlisted wholly-owned subsidiary of Sanyang, the Offeror considers it will help improving the Company's operational efficiency and achieve economies of scale, for example through resources sharing with Sanyang such as sharing of expertise, hence achieving cost savings.

4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

The Proposal will involve the cancellation and extinguishment of the Scheme Shares at the Cancellation Price of HK\$0.45 per Scheme Share cancelled and extinguished. As at the Latest Practicable Date, there are 907,680,000 Shares in issue of which the Offeror holds an aggregate of 608,818,000 Shares (representing approximately 67.07% of the issued share capital of the Company), and there are 298,862,000 Scheme Shares in issue, including the 107,877,000 Shares held by the TDR Holders. There are no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

The amount of cash required for the Scheme is approximately HK\$134.5 million.

The Offeror intends to finance the cash required for the Proposal through its internal cash resources. China Tonghai, a financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares, and the Company has 907,680,000 Shares in issue.

The table below sets out the simplified shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) on the basis that the Scheme becomes effective, immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Upon completion of the Proposal	
	<i>Approximate% of the issued Number of share capital of Shares the Company (Note 1)</i>	<i>Approximate% of the issued Number of share capital of Shares the Company (Note 1)</i>	<i>Approximate% of the issued Number of share capital of Shares the Company (Note 1)</i>	<i>Approximate% of the issued Number of share capital of Shares the Company (Note 1)</i>
The Offeror and the Offeror				
Concert Parties (Note 2)	608,818,000	67.07	907,680,000	100.00
Total number of Scheme Shares held by the Independent Shareholders (Note 3)	298,862,000	32.93	–	–
Total	907,680,000	100.00	907,680,000	100.00

Notes:

- (1) All percentages in the above table are approximations.
- (2) All such Shares are held by the Offeror, and the Offeror Concert Parties have no shareholding interest in the Company.
- (3) The Company has issued 53,938,500 units of TDR representing 107,877,000 Shares. As at the Latest Practicable Date, neither the Offeror nor the Offeror Concert Parties hold any units of such TDR.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. The Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares as at the Latest Practicable Date.

6. FINANCIAL INFORMATION OF THE GROUP

Based on the published audited consolidated financial statements of the Company, the loss before and after taxation and total comprehensive income attributable to equity shareholders of the Company for the six months ended 30 June 2020 and for the two financial years ended 31 December 2018 and 2019 and the total equity attributable to equity shareholders of the Company as at 30 June 2020, 31 December 2018 and 2019 are as follows:

	For the six months ended 30 June 2020		For the year ended 31 December			
	<i>Equivalent to</i>		<i>Equivalent to</i>		<i>Equivalent to</i>	
	<i>Approximately</i>	<i>approximately</i>	<i>Approximately</i>	<i>approximately</i>	<i>Approximately</i>	<i>approximately</i>
	US\$	HK\$	US\$	HK\$	US\$	HK\$
	<i>thousands</i>	<i>thousands</i>	<i>thousands</i>	<i>thousands</i>	<i>thousands</i>	<i>thousands</i>
	<i>(unaudited)</i>		<i>(audited)</i>		<i>(audited)</i>	
Loss before taxation	(4,239)	(32,852)	(17,570)	(136,168)	(40,509)	(313,945)
Loss after taxation	(4,240)	(32,860)	(17,594)	(136,354)	(41,843)	(324,283)
Total comprehensive income attributable to equity shareholders of the Company	(4,479)	(34,712)	(17,559)	(136,082)	(43,675)	(338,481)
Total equity attributable to equity shareholders of the Company	60,081	465,628	64,561	500,348	82,120	636,430

7. OFFEROR'S INTENTION REGARDING THE COMPANY

The Company is incorporated in the Cayman Islands with limited liability and the Company has been listed on the Main Board of the Stock Exchange since 20 December 2007 with the stock code 422. The Group is principally engaged in the manufacturing and sale of scooters, cub motor bikes, engines and related parts.

Following implementation of the Proposal, the Offeror intends that the Company should continue carrying on its current business and do not intend to make any major changes to the current operations, or to discontinue the employment of the employees of the Group nor do they have any plans to redeploy any of the fixed assets of the Group after implementation of the Proposal. The Offeror and the Company will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business in light of the challenging environment for motorbike manufacturing businesses in Vietnam.

The Offeror has no intention to avail itself of any power of compulsory acquisition.

8. INFORMATION ON THE OFFEROR

The Offeror is incorporated in Samoa with limited liability, and is principally engaged in investment holding.

The Offeror is a direct wholly-owned subsidiary of Sanyang, a company incorporated in Taiwan with limited liability, and has been listed on the Taiwan Stock Exchange since 29 July 1996 with the stock code 2206. Sanyang, together with its subsidiaries, has over 60 years of experience in motorbikes and automobiles industry and is principally engaged in the manufacturing of motorbikes, motor cars, trucks and their related parts. As at the Latest Practicable Date, each of 大洋投資有限公司 (Dayang Investments Co. Ltd.*), 川原投資有限公司 (Chuanyuan Investments Co. Ltd.*) and 百科投資有限公司 (Baikē Investments Co. Ltd.*) holds approximately 8.08%, 5.82% and 5.43% of Sanyang, respectively. Based on the website of the Ministry of Economic Affairs in Taiwan, as at the Latest Practicable Date, 大洋投資有限公司 (Dayang Investments Co. Ltd.*) is wholly-owned by an individual called 許調謀 (Hu Tiao-Mou*); 川原投資有限公司 (Chuanyuan Investments Co. Ltd.*) is wholly-owned by an individual called 王國億 (Wang Guo-Yi*); and 百科投資有限公司 (Baikē Investments Co. Ltd.*) is wholly-owned by an individual called 張文隆 (Jhang Wun-Long*). Each of 許調謀 (Hu Tiao-Mou*), 王國億 (Wang Guo-Yi*) and 張文隆 (Jhang Wun-Long*) also acts as the sole director of the company that they own respectively. As at the Latest Practicable Date, there is no controlling shareholder of Sanyang.

As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng (all being Directors) has approximately 2.093%, 0.020%, 0.014%, 0.003% and 0.002% shareholding in Sanyang respectively.

As at the Latest Practicable Date, the Offeror held 608,818,000 Shares of the Company (representing approximately 67.07% of the issued share capital of the Company).

9. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal are, or are not, fair and reasonable and as to voting. As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng (all being Directors) has approximately 2.093%, 0.020%, 0.014%, 0.003% and 0.002% shareholding in Sanyang respectively.

Given each of Ms. Wu Li Chu and Mr. Chiu Ying Feng also hold a position of deputy vice chairperson and deputy vice president of Sanyang, respectively, they cannot be members of the Independent Board Committee. The Interested Directors have abstained and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. The Independent Board Committee has given its recommendation as set out in Part V of this Scheme Document after taking into account the advice of Rainbow Capital.

The Independent Shareholders are reminded to carefully read this Scheme Document, including the letter of advice from Rainbow Capital to the Independent Board Committee set out in Part VI of this Scheme Document before making a decision.

10. INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Rainbow Capital as the independent financial adviser has been approved by the Independent Board Committee.

The full text of the letter from Rainbow Capital is set out in Part VI of this Scheme Document.

11. WITHDRAWAL OF LISTING OF SHARES AND TDR

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective. The Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. The TDR shall also be delisted from TWSE after all Shares are delisted from the Stock Exchange. A detailed timetable of the Scheme is set out in Part III of this Scheme Document, which contains, inter alia, further details of the Proposal.

12. IF THE SCHEME IS NOT APPROVED OR OTHERWISE LAPSES

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Scheme Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective.

If the Scheme is not approved or otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. If they are in doubt as to the action they should take, they should consult their stockbroker, bank manager, solicitor or other professional advisers.

13. OVERSEAS SCHEME SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. If such overseas Shareholders are in doubt as to their positions, they should consult their professional advisers.

In the event that the despatch of this Scheme Document to overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror or the Company regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the Company or their respective shareholders), this Scheme Document will not be despatched to such overseas Scheme Shareholders. For that purpose, the Company will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch this Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in this Scheme Document is made available to such overseas Scheme Shareholders.

One unit of TDR represents two Shares but the TDR Holders, who are not acting in concert with, and are independent of, and are not the Offeror or the Offeror Concert Parties, are not registered holders of the Shares as the underlying Shares of the TDR are deposited with CCASS and are registered under the name of HKSCC Nominees Limited unless the TDR Holders exercise the right to convert the TDR into the Shares. There is a time restriction for the TDR Holders to exercise the right to convert the TDR into Shares. The TDR Holders may submit conversion applications to convert their TDR into Shares until 3:00 p.m. on 20 August 2020.

The TDR is deposited in Taiwan Depository & Clearing Corporation (“**TDCC**”). When a TDR Holder intends to convert the TDR into Shares, the broker of the TDR Holder will instruct the TDCC for the relevant conversion instruction. The broker will then fill out the relevant forms and documents to TDCC, then the TDCC will deduct the relevant TDR balance in the relevant TDR Holder’s account. Then, the Depository Agent will inform the Custodian Bank for matching with the relevant TDR Holder’s broker in Hong Kong. The conversion will be concluded when it is confirmed that the Shares have been transferred to the account of the relevant TDR Holder’s broker. The conversion from TDR to Shares will be completed and settled within 2 Business Days of the conversion application.

Based on the information available on the Market Observation Post System of TWSE on the Latest Practicable Date, the Company has issued 53,938,500 units of TDR representing 107,877,000 Shares, that is 36.10% of the Scheme Shares and 11.88% of the issued share capital of the Company. The underlying Shares of the TDR have the same rights (including voting right) as of other Shares and thus the TDR Holders may through giving instructions to the Depository Agent to exercise the voting right attached to the underlying Shares if the TDR is not converted. The voting mechanism at the EGM and the Court Meeting for TDR Holders is explained below.

For the TDR Holders, this Scheme Document will be delivered to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, including input of relevant information about the Proposal into the Market Observation Post System of the TWSE, delivery of this Scheme Document to the TDR Holders, and collection of voting instructions from the TDR Holders. The Depository Agent will then collate such voting instructions and notify the Custodian Bank to pass on such voting instructions to HKSCC Nominees Limited accordingly as the underlying Shares are deposited with CCASS.

In respect of the voting mechanism for the TDR Holders at the EGM, pursuant to the Depository Agreement, if the Depository Agent receives the same instructions from the TDR Holders holding more than 50% of the units of TDR issued to vote on a particular resolution at the EGM, then the Depository Agent, the Custodian Bank or their nominee shall attend the EGM and cast vote according to all the instructions they received, which includes casting the votes for and casting the votes against that particular resolution at the EGM. The Depository Agent, Custodian Bank or their nominee shall not be allowed to vote on behalf of the TDR Holders that have not given any instructions.

For instance, if the Depository Agent receives the same instructions from the TDR Holders holding in aggregate of 55% of the total units of TDRs in issue to vote for a particular resolution, and also from the TDR Holders holding in aggregate of 15% of the total units of TDRs in issue to vote against that particular resolution, the Depository Agent may notify the Custodian Bank of such units of TDR held by the TDR Holders cast for and against that particular resolution. The Custodian Bank or their nominee shall then attend the EGM and cast vote according to such instructions received, that 55% of the total units of TDR in issue and 15% of the total units of TDR in issue will vote for and against that particular resolution respectively. The Depository Agent, Custodian Bank or their nominee shall not be allowed to vote on behalf of the TDR Holders that have not given any instructions.

If the Depository Agent does not receive the same instruction from the TDR Holders holding more than 50% of the units of TDR issued, then the Depository Agent shall notify the Custodian Bank or their nominee to issue a proxy to the chairman of the Board (or his designate) to cast vote on behalf of all TDR Holders in respect of all relevant TDR underlying Shares, and for this purpose, the Company undertakes that the person (the “**Designated Person**”) who will cast vote on behalf of all TDR Holders in respect of all relevant TDR underlying Shares shall not be an Offeror or an Offeror Concert Party and shall be a professional party who is independent of any of them. The vote to be casted by the Designated Person will also follow the instruction given by the TDR Holders. If all TDR Holders give instruction to vote for a particular resolution, then the Designated Person will vote for the particular resolution. If all TDR Holders give instruction to vote against a particular resolution, then the Designated Person will vote against the particular resolution. If some TDR Holders give instruction to vote for a particular resolution and some TDR Holders give instruction to vote against a particular resolution, then the Designated Person will vote both for and against the particular resolution and the number of Shares to be voted for and against such resolution will be based on the number of TDR underlying Shares represented by the relevant units of TDRs that voted for and against such resolution respectively. In case no instruction is given at all by the TDR Holders, then the Company undertakes that the Designated Person will not cast any votes on that particular resolution. However, if the Company (with the authorisation from the Board) objects to such arrangement or the Depository Agent reasonably believes that the granting of such proxy is materially not in the interest of the TDR Holders in the circumstance that the right of the TDR Holders would be prejudiced unfairly or unreasonably as a result of granting such proxy, then the Depository Agent shall not attend the EGM, nor shall it exercise any voting right in respect of the TDR underlying Shares. The Company will not object to such arrangement should the circumstances arise.

In respect of the voting mechanism for the TDR Holders at the Court Meeting, the Depository Agent will give instruction to the Custodian Bank based on the responses from the TDR Holders. If the only response from the TDR Holders is “yes”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees Limited to vote for “yes”. If the only response from the TDR holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees Limited to vote for “no”. If the response from the TDR Holders is both “yes” and “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees Limited to vote for both “yes” and “no” which is permissible for HKSCC Nominees Limited. One unit of TDR represents two Shares. For the purpose of votes counting, it will depend on the number of TDR underlying Shares represented by the relevant units of TDRs that voted for and against the relevant resolution respectively. If there is no response from the TDR Holders, then the Depository Agent will relay the message to the Custodian Bank and the Custodian Bank will not give any instruction to HKSCC Nominees Limited.

The voting procedure of HKSCC Nominees Limited will then be the same as for other Shares registered under its name. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder under the “for” and as one Shareholder under “against”. Once the Depository Agent directs the Custodian Bank to give instructions to HKSCC Nominees Limited according to the response from TDR Holders, the voting procedure of HKSCC Nominees Limited regarding the TDR Holders will be the same as for other Shareholders for the purpose of the headcount test at the Court Meeting. It is all in accordance with the Court’s direction.

On the basis that the Scheme becomes effective on Tuesday, 6 October 2020 (Cayman Islands time) and Wednesday, 7 October 2020 (Hong Kong time), a cheque for the cash entitlements to the Scheme Shareholders will be despatched to the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Thursday, 15 October 2020 and the Custodian Bank will accordingly make the payment to the Depository Agent. The Depository Agent will further make the relevant payments to the TDR Holders on or about Monday, 26 October 2020.

Under Taiwan laws, there are no appraisal rights for the TDR Holders to petition to the court for buying back the TDRs based on fair market value.

In view of the Cancellation Price to be paid to the underlying Shares of the TDR held by the TDR Holders, the Company has sought advice from its Taiwan legal adviser, Tsar & Tsai Law Firm. Based on such legal advice, the Company has no obligation to repurchase the outstanding TDR at a price equal to or no less than the NAV of the Company on the following basis:

(a) The minimum cancellation price for TDR

The prospectus of the TDR issuance, the TDR issuance terms and conditions, the Depository Agreement do not regulate the minimum consideration payable to TDR Holders in the event that the underlying shares of the TDR are cancelled and extinguished pursuant to applicable foreign laws.

(b) The repurchase of TDR by the Company

When the Scheme Shares are cancelled and extinguished in exchange for the Cancellation Price under the Scheme, the TDR shall also be deemed cancelled and extinguished given they are attached to the Scheme Shares. The Company will not be able to purchase the TDR subsequently and the TDR shall be delisted from TWSE after all ordinary shares are delisted from the Stock Exchange.

(c) Possible dissenting TDR Holders

There are no laws in Taiwan enabling the TDR Holders to require the Company to purchase the TDR from TDR Holders at a price equal to or no less than the NAV after the underlying Shares of the TDR are cancelled.

As advised by Tsar & Tsai Law Firm, the rules of TWSE do not require a separate Shareholders’ resolution for approving the delisting of TDR after the underlying Shares are delisted, given the TDR shall be deemed to be cancelled and extinguished following the cancellation of the Scheme Shares.

14. SCHEME SHARES, COURT MEETING, AND EGM

As at the Latest Practicable Date, the Offeror holds an aggregate of 608,818,000 Shares representing approximately 67.07% of the total number of issued Shares in the share capital of the Company. Such 608,818,000 Shares will not constitute Scheme Shares and will not be voted on the Scheme at the Court Meeting.

The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and conditions of the Scheme.

Each of KPMG and China Tonghai is presumed to be acting in concert with the Offeror under class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, no Shares are owned, controlled or directed by each of KPMG and China Tonghai.

All Shareholders will be entitled to attend the EGM and vote on, among other things, (i) a special resolution to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) a special resolution to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) an ordinary resolution to immediately thereafter increase the number of issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

The Offeror has undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the EGM.

15. COSTS OF THE SCHEME

In light of the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document and the recommendation of Rainbow Capital as set out in Part VI of this Scheme Document, Rule 2.3 of the Takeovers Code is not applicable. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including Rainbow Capital, will be borne by the Company, all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Proposal incurred by each of the Offeror and the Company will be borne by them respectively.

16. GENERAL

The Offeror has appointed KPMG and China Tonghai as its joint financial advisers in connection with the Proposal.

There are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company which might be material to the Proposal (see Note 8 to Rule 22 of the Takeovers Code).

There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal.

The Offeror and the Offeror Concert Parties have not borrowed or lent any Shares or any other securities of the Company as at the Latest Practicable Date.

Other than the consideration payable under the Proposal for cancelling the Scheme Shares, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. No irrevocable commitment to vote for or against the Proposal has been received by the Offeror and the Offeror Concert Parties, as at the Latest Practicable Date.

As at the Latest Practicable Date, there is no understanding, arrangement or agreement or special deal between (i) any Scheme Shareholders and persons acting in concert with them; and (ii)(a) the Offeror and the Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

As at the Latest Practicable Date, the Company has no intention to propose, declare or pay any dividends; nor the Cancellation Price is subject to any dividend proposed, declared but not yet paid.

17. COURT MEETING AND EGM

In accordance with the direction of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)). All Independent Shareholders whose names appear on the register of members of the Company as at the Scheme Court Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting in person or by proxy. The Offeror and the Offeror Concert Parties will not vote on the Scheme at the Court Meeting.

In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder under the “for” and as one shareholder under “against”. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

In accordance with the Companies Law, the “75% in value” requirement will be met if the total value of the Shares being voted in favour of the Scheme is at least 75% of the total value of the Shares voted at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement will be met if the number of the Independent Shareholders voting in favour of the Scheme exceeds the number of the Independent Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of the Independent Shareholders, present and voting in person or by proxy, will be counted.

The EGM will be held as soon as after the Court Meeting has been concluded or adjourned for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing all Scheme Shares. All Shareholders will be entitled to attend and vote in person or by proxy on such resolutions at the EGM.

At the EGM, a poll will be taken and each Shareholder present and vote, either in person or by proxy, will be entered to vote all of his/her/its Shares in favour of (or against) the special resolutions and/or the ordinary resolution. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolutions and/or the ordinary resolution and any or all of the balance of their Shares against the special resolutions and/or the ordinary resolution (and vice versa). At the relevant EGM, the special and ordinary resolutions will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast against the Scheme, the units of TDR held by TDR Holders cast for and against the Scheme (including the number of underlying Shares equivalent to the units of TDR, by way of percentage to the total issued share capital of the Company and the total number of Scheme Shares) and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

Notices of the Court Meeting and the EGM are set out in Appendix IV and Appendix V of this Scheme Document.

18. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS

Your attention is drawn to the section headed “Actions to be taken – Actions to be taken by the Shareholders” set out in Part II of this Scheme Document.

19. RECOMMENDATIONS

Rainbow Capital has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Rainbow Capital as the independent financial adviser has been approved by the Independent Board Committee. The text of the letter of advice from the Rainbow Capital containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in Part VI of this Scheme Document. We would advise you to read this letter and the letter of advice from Rainbow Capital carefully before you take any action in respect of the Proposal.

The Independent Board Committee has considered the terms of the Proposal and taken into account the advice of Rainbow Capital, in particular the factors, reasons and recommendation as set out in the letter from Rainbow Capital in Part VI of this Scheme Document. The Independent Board Committee’s recommendation is set out in Part V of this Scheme Document.

As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng (all being Directors) has a 2.093%, 0.020%, 0.014%, 0.003% and 0.002% shareholding in Sanyang respectively. Each of Ms. Wu Li Chu and Mr. Chiu Ying Feng also hold a position of deputy vice chairperson and deputy vice president of Sanyang, respectively. The Interested Directors have not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. The Directors (excluding the members of the Independent Board Committee) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Scheme Shareholders.

20. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Tuesday, 6 October 2020, it is proposed that the register of members of the Company will be closed from Monday, 21 September 2020 (or such other date as the Shareholders may be notified by way of an announcement) onwards in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Shareholders should ensure that the transfers of their Shares are lodged with the Hong Kong branch share registrar and transfer office of the Company for registration in their names or in the names of their nominees before 4:30 p.m. on Friday, 18 September 2020. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. It is also proposed that the register of TDR Holders in Taiwan will be closed from Thursday, 8 October 2020 (or such other date as the TDR Holders may be notified) onwards in order to establish entitlements under the Scheme.

Payment of the Cancellation Price to Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Time on the Scheme Record Date. On the basis that the Scheme becomes effective on Tuesday, 6 October 2020 (Cayman Islands time) and Wednesday, 7 October 2020 (Hong Kong time), cheques for payment of the Cancellation Price will be paid for by the Offeror as soon as possible but in any event within 7 Business Days following the Scheme having become effective and accordingly, the cheques are expected to be despatched on or before Thursday, 15 October 2020. Cheques will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding of the Shares. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, KPMG, China Tonghai, the Hong Kong branch share registrar and transfer office of the Company, being Computershare Hong Kong Investor Services Limited, the Depository Agent or the Custodian Bank will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and place all monies represented by the cheque in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

Before the expiry of six years from the Effective Date, the Offeror shall make payments from the deposit or custodian account of the sums, without any accrued interest, to persons who satisfy the Offeror that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Tuesday, 6 October 2020 (Cayman Islands time) and Wednesday, 7 October 2020 (Hong Kong time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any encumbrance, lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

21. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective. The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of accepting the Proposal. It is emphasized that none of the Offeror, the Company, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers or any of their respective directors, officers or associates or any other person involved in the Proposal accepts any responsibility whatsoever for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

22. THE SCHEME AND THE COURT MEETING

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs. It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the Company.

23. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

Rule 2.10 of the Takeovers Code provides that in addition to satisfying any voting requirements imposed by law as summarized above, other than with the consent of the Executive, a scheme of arrangement used to privatize a company may only be implemented if:

- (a) the scheme is approved by at least 75% of the votes attaching to the disinterested shares (i.e. shares in the company other than those which are owned by the offeror or persons acting in concert with the offeror) that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested shares; and
- (b) the number of votes cast against the resolution to approve the scheme at such meeting is not more than 10% of the votes attaching to all the disinterested shares.

As at the Latest Practicable Date, the Independent Shareholders held in aggregate 298,862,000 Shares and 10% of the votes attached to all Scheme Shares held by the Independent Shareholders was approximately 29,886,200 Shares.

24. BENEFICIAL OWNERS

Beneficial Owners are urged to have their names entered in the register of members of the Company as soon as possible for, among other things, the following reasons:

- (a) to enable the Beneficial Owners to become Shareholders so that they can attend the Court Meeting in the capacity as members of the Company or be represented by proxies to be appointed by them and to be included for the purpose of calculating the majority in number of Shareholders as required under Section 86 of the Companies Law in their capacity as members of the Company;
- (b) to enable the Company to properly classify members of the Company as Scheme Shareholders for the purposes of Section 86 of the Companies Law; and
- (c) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective.

No person shall be recognised by the Company as holding any Shares upon any trust. In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, another CCASS Participant regarding voting instructions to be given to such person(s) if they wish to vote in respect of the Scheme. Beneficial Owners should contact their broker, custodian, nominee or such other relevant person in advance of the deadline(s) in respect of the Court Meeting and the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedures for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

25. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective, it will be binding on the Company, the Offeror and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and/or the EGM.

26. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

As at the Latest Practicable Date, none of the Offeror and the Offeror Concert Parties has received any irrevocable commitment from any Shareholders and TDR Holders in respect of voting at the Court Meeting and/or the EGM.

27. SUMMARY OF ACTIONS TO BE TAKEN

The summary of actions to be taken by the Shareholders can be found in the section headed “Actions to be Taken” set out in Part II of this Scheme Document.

28. RECOMMENDATION

Your attention is drawn to the following:

- (a) the paragraph headed “21. Recommendations” in the letter from the Board in Part IV of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in Part V of this Scheme Document; and
- (c) the letter from Rainbow Capital set out in Part VI of this Scheme Document.

29. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

The Independent Shareholders and Shareholders should rely only on the information contained in this Scheme Document. None of the Offeror, the Company, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers or any of their respective directors, officers or associates or any other person involved in the Proposal has authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

1. FINANCIAL SUMMARY

The following summary financial information for each of the six months period ended 30 June 2019 and 30 June 2020 and each of the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 has been extracted from the results announcements and published financial statements of the Company for the six months period ended 30 June 2019 and 2020 and for the years ended 31 December 2017, 2018 and 2019.

Consolidated statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June		For the year ended 31 December		
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)	2019 US\$ (Audited)	2018 US\$ (Audited)	2017 US\$ (Audited)
Revenue	27,782,529	44,078,363	99,499,318	91,546,757	93,746,331
Cost of sales	(25,379,930)	(42,265,863)	(94,127,826)	(93,877,160)	(87,680,654)
Gross profit/(loss)	2,402,599	1,812,500	5,371,492	(2,330,403)	6,065,677
Other income	437,639	266,383	368,428	281,646	157,139
Distribution costs	(2,085,125)	(2,691,264)	(5,886,848)	(6,042,394)	(6,940,838)
Technology transfer fees	(177,854)	(821,265)	(1,276,535)	(1,513,924)	(934,865)
Administrative and other operating expenses	(3,418,334)	(4,096,132)	(9,565,931)	(13,710,438)	(9,322,146)
Results from operating activities	(2,841,075)	(5,529,778)	(10,989,394)	(23,315,513)	(10,975,033)
Net finance income	632,685	1,088,193	1,645,166	3,091,421	3,386,183
Impairment losses on other property, plant and equipment, prepayments and right-of-use assets	(2,018,855)	(3,994,992)	(8,287,928)	(20,233,977)	(2,232,753)
Loss before taxation	(4,239,312)	(8,428,691)	(17,570,369)	(40,508,754)	(9,776,837)
Income tax credit/(expense)	(435)	258	(23,880)	(1,333,919)	444,619
Loss for the year/period	(4,239,747)	(8,428,433)	(17,594,249)	(41,842,673)	(9,332,218)
Total comprehensive income for the year/period	(4,479,393)	(8,649,865)	(17,558,937)	(43,674,765)	(8,764,581)
Loss for the year/period attributable to:					
Equity shareholders of the Company	(4,239,745)	(8,428,433)	(17,594,257)	(41,842,673)	(9,332,218)
Non-controlling interests	(2)	—	8	—	—
	(4,239,747)	(8,428,433)	(17,594,249)	(41,842,673)	(9,332,218)

	For the six months ended		For the year ended		
	30 June		31 December		
	2020	2019	2019	2018	2017
	US\$	US\$	US\$	US\$	US\$
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total comprehensive income for the year/period attributable to:					
Equity shareholders of the Company	(4,479,391)	(8,649,865)	(17,558,945)	(43,674,765)	(8,764,581)
Non-controlling interests	(2)	–	8	–	–
	<u>(4,479,393)</u>	<u>(8,649,865)</u>	<u>(17,558,937)</u>	<u>(43,674,765)</u>	<u>(8,764,581)</u>
Loss per share – basic and diluted	<u>(0.005)</u>	<u>(0.009)</u>	<u>(0.02)</u>	<u>(0.05)</u>	<u>(0.01)</u>
Total dividends recognized as distribution	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total dividends recognized as distribution per share	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The financial information for the six months period ended 30 June 2019 and 2020 are unaudited. There was no modified opinion, emphasis of matter, or material uncertainty related to going concern contained in the auditors' report of the Group for each of the three years ended 31 December 2017, 2018 and 2019. Other than those disclosed above, no other items of any income or expense which are material for the six months period ended 30 June 2019 and 2020 and for the years ended 31 December 2017, 2018 and 2019.

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Scheme Document the statement of financial position, statement of cash flows and any other primary statement as shown in the last published audited accounts and preliminary announcement made since the last published audited accounts, together with the notes to the relevant published accounts or preliminary announcement which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Company for the year ended 31 December 2019 (the “**2019 Financial Statement**”) are set out on pages 36 to 100 of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was published on 29 April 2020. The 2019 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900802.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2018 (the “**2018 Financial Statement**”) are set out on pages 37 to 94 of the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), which was published on 29 April 2019. The 2018 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429343.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2017 (the “**2017 Financial Statement**”) are set out on pages 35 to 90 of the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”), which was published on 26 April 2018. The 2017 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2017 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn20180426533.pdf>

The latest unaudited condensed interim financial information of the Company for the six months period ended 30 June 2020 (the “**2020 Interim Financial Information**”) are set out on pages 1 to 13 of the interim results announcement of the Company for the six months period ended 30 June 2020 (the “**2020 Interim Result Announcement**”), which was published on 30 July 2020. The 2020 Interim Results Announcement is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2020 Interim Results Announcement:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073001375.pdf>

The unaudited condensed interim financial information of the Company for the six months period ended 30 June 2019 (the “**2019 Interim Financial Information**”) are set out on pages 15 to 40 of the interim report of the Company for the six months period ended 30 June 2019 (the “**2019 Interim Report**”), which was published on 24 September 2019. The 2019 Interim Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2019 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0924/ltn20190924063.pdf>

The 2019 Financial Statement and 2020 Interim Financial Information (but not any other part of the 2019 Annual Report and 2020 Interim Result Announcement in which they appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT

Bank loans

As at the close of business on 30 June 2020, the Group had interest-bearing bank loans of approximately US\$28,334,456, which were secured by certain time deposits of the Group and unguaranteed.

Lease Liabilities

As at the close of business on 30 June 2020, the Group had lease liabilities of approximately US\$758,830 under International Financial Reporting Standard 16.

Contingent Liabilities

As at the close of business on 30 June 2020, the Group had neither any guarantee nor any other contingent liabilities in existence.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable and bills payable in the ordinary course of business, the Group did not have any outstanding mortgages, charges, guarantee and other contingent liabilities, debentures, loan capital and debt securities (issued and outstanding or agreed to issue), bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits as at the close of business on 30 June 2020.

The Directors are not aware of any material changes in the indebtedness and contingent liabilities of the Group since 30 June 2020 (being the date to which the indebtedness statement is made) and up to the Latest Practicable Date.

4. MATERIAL CHANGE

As disclosed in the unaudited interim results of the Group for the six months ended 30 June 2020 (the “**2020 Interim Results**”), in the first half of 2020, the operating performance of the Group was restrained by the outbreak of the novel coronavirus which had negatively affected the global economy, resulting in a slowdown or even suspension of the Group’s sales. According to the statistics from the Vietnam Association of Motorcycle Manufacturers, in the first half of 2020, the top five foreign-invested manufacturers in Vietnam sold a total of 1,249,997 units of motorbikes, representing a decrease of approximately 16.9% as compared to the corresponding period in 2019. The Group’s results of operations will continue to be affected by the rising labour costs and raw material prices, the competition from the domestic Japanese manufacturers and the low-priced motorbikes imported from the PRC in its overseas markets.

Based on the 2020 Interim Results, loss attributable to the Shareholders decreased by approximately 49.7% from approximately US\$8.4 million for the six months ended 30 June 2019 to approximately US\$4.2 million for the six months ended 30 June 2020, primarily attributable to (i) the increase in gross profit mainly due to (a) the decrease in sales of less profitable products caused by the competitive business environment and the impact of the novel coronavirus, resulting in a decrease in loss; and (b) the provision of original equipment manufacturing (“**OEM**”) services for the brand Lambretta which entailed higher gross profit margins; (ii) the decrease in distribution costs mainly due to rectification of existing distribution network, the decrease in sales incentives and supporting fees to the distributors and the decrease in the overall marketing and promotion expenses as a result of the decline in sales due to the impact of the pandemic; (iii) the decrease in administrative and other operating expenses mainly due to the decrease in research and development expenses, the Group’s efforts to boost the

operational efficiency and the implementation of various cost saving measures; (iv) the decrease in technology transfer fees given the decline in sales and the increased provision of OEM services to its customers; and (v) the overall decrease in impairment losses on other property, plant and equipment, prepayments and right-of-use assets. This was partially offset by (i) the decrease in sales volume in Vietnam and other ASEAN countries as a result of the pandemic and preventive quarantine arrangement caused by the outbreak of the novel coronavirus, resulting in a halt in production and sales activities; and (ii) the decrease in net finance income due to the decrease in interest income given the lower average cash and bank balance and the increase in interest expenses arising from increased borrowings.

Based on the 2020 Interim Results, as at 30 June 2020, the Group had net cash (being cash and bank balances less bank loans), net current assets and equity attributable to the Shareholders of approximately US\$18.3 million, US\$53.0 million and US\$60.1 million, representing a decrease of approximately 24.1%, 7.9% and 6.9% as compared to 31 December 2019, respectively. As a result of the continued loss of the Group and the slowing sales caused by the novel coronavirus outbreak which disrupted a wide range of economic activities, additional borrowings may be required to replenish the Group's working capital.

As disclosed in the 2020 Interim Results, in March 2020, Vietnam Manufacturing and Export Processing Company Limited (“**VMEP**”), a wholly-owned subsidiary of the Company, made a contribution to the capital of Dinh Duong Joint Stock Company (“**Dinh Duong**”) in the amount of VND69,000,000,000. Upon the capital contribution, the registered capital of Dinh Duong increased to VND168,350,000,000 from VND99,350,000,000 and VMEP holds a total of approximately 99.94% of equity interest in Dinh Duong.

Looking ahead, while the Group continues to conduct sales of products with higher profitability and implement cost saving measures, the Group's business will continue to encounter challenges in the second half of 2020 due to the risk of ongoing worldwide spread of the novel coronavirus, as disclosed in the 2020 Interim Results.

Save as disclosed above, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Proposal, the Offeror and the Group.

The directors of the Offeror and Sanyang jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares at a par value of HK\$0.01 each;
- (b) the issued share capital for Shares of the Company was HK\$9,076,800 divided into 907,680,000 Shares at a par value of HK\$0.01 each and there has been no change in the issued share capital since 31 December 2019 to the Latest Practicable Date;
- (c) the Company has not issued any preference shares;
- (d) all of the issued Shares ranked pari passu in all respects with each other, including all rights as to dividends, voting and capital; and
- (e) other than the Shares as disclosed above, there were no other outstanding options, warrants, derivatives or other convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares of the Company or 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 in which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code") were as follows:

Long positions in shares of Sanyang

Name of Directors	Types of Shares	Capacity	Number of Shares held (shares)	Approximate percentage of total share capital (%) ¹
Mr. Liu Wu Hsiung	Ordinary Shares	Beneficial Owner	111,380 (L)	0.014%
Mr. Lin Chih Ming	Ordinary Shares	Beneficial Owner	26,793 (L)	0.003%
Mr. Chiang Chin Yung	Ordinary Shares	Beneficial Owner	165,480 (L)	0.020%
Mr. Chiu Ying Feng	Ordinary Shares	Beneficial Owner	18,412 (L)	0.002%
Ms. Wu Li Chu	Ordinary Shares	Beneficial Owner	17,046,560 (L)	2.093%

(L) – Long position

Note:

- The calculation is based on the total number of 814,398,604 shares of Sanyang in issue as at the Latest Practicable Date.

The Interested Directors have abstained and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. None of the Directors were interested in any Shares, and hence no Director would be entitled to vote for or against any of the resolutions to be proposed at the Court Meeting and the EGM.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associate(s) had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and the Takeovers Code.

(b) Interests and short positions of other substantial Shareholders in Shares and underlying Shares

As at the Latest Practicable Date, Shareholders (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who had interests and short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to be disclosed to the Company and the Stock Exchange pursuant to 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 pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Name of substantial Shareholders	Types of Shares	Capacity	Number of Shares/underling shares held (shares)	Approximate percentage of total share capital (%)
Sanyang	Ordinary Shares	Interest in controlled corporation	608,818,000 (L)	67.07%
The Offeror ¹	Ordinary Shares	Beneficial owner	608,818,000 (L)	67.07%

(L) – Long position

Note:

1. The Offeror is a direct wholly-owned subsidiary of Sanyang and therefore Sanyang is deemed to be interested in the shares of the Company held by the Offeror under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Director or the chief executive of the Company) who (i) had an interest or short position in the Shares and underlying Shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its directors and the Offeror Concert Parties, owned or controlled any Shares or any options, warrants, derivatives or securities convertible into Shares.

As at the Latest Practicable Date and during the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any party acting in concert with the Offeror or with any other associate of the Offeror.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person.

As at the Latest Practicable Date and during the Relevant Period, the Offeror and any party acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(c) Dealings in the relevant securities of the Company

- (1) During the Relevant Period, none of the Offeror or the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (2) During the Relevant Period, none of the director of the Offeror had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (3) During the Relevant Period, none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.
- (4) During the Offer Period and up to the Latest Practicable Date:
 - (i) no subsidiaries of the Company, pension funds (if any) of any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (iii) no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

(d) Interest in the Offeror

As at the Latest Practicable Date, none of the Company or any of the Directors, other than the Interested Directors, had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

(e) Dealings in the securities of the Offeror

During the Relevant Period, none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

(f) Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (i) no benefit was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Proposal;
- (ii) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Offeror Concert Parties on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;
- (iii) there was no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a Scheme Condition; and
- (iv) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Shares which might be material to the Proposal.

(g) Other interests

As at the Latest Practicable Date:

- (i) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or by an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code;
- (ii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (iii) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Company;
- (iv) no agreement, arrangement or understanding (including any compensation arrangement) exists between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (v) no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and
- (vi) none of the Company and the Directors had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. MATERIAL LITIGATION

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 by or against the Company or any of its subsidiaries.

5. MATERIAL CONTRACTS

Save as disclosed below, no contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within the two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and were or might be material:

- (a) the nominee agreement dated 18 October 2019 entered into between Vietnam Manufacturing & Export Processing Company Limited (“**VMEP**”), a direct wholly-owned subsidiary of the Company and Ms. Chau Thi Tu Uyen, in relation to the proposed acquisition of the plot of land and its associated properties located at Cell No. 43, Lot D3B-2, Area D3, Phu Thuong Ward, Tay Ho District, Hanoi, Vietnam (the “**Property**”) from Ms. Do Anh Quyen at an aggregate consideration of VND70,000,000,000 (equivalent to approximately HK\$23,380,000); and
- (b) the investment cooperation memorandum dated 24 October 2019 entered into between Dinh Duong Joint Stock Company (“**Dinh Duong**”), an indirect non-wholly owned subsidiary of the Company and a Vietnam citizen who is experienced in property investment in Vietnam and who had identified the investment opportunity of the properties (the “**Business Partner**”), in relation to the joint investment in the plot of land and its associated properties situated at Lot CT02A, Phu Thuong Ward, Tay Ho District, Hanoi, Vietnam through the Business Partner at the amount of VND69,000,000,000 (equivalent to approximately HK\$23,046,000).

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six (6) months preceding the commencement of the Offer Period; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract that has more than 12 months to run irrespective of the notice period.

7. MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last Trading Day of each of the calendar months from November 2019 to the Latest Practicable Date.

Date	Closing Price <i>(HK\$)</i>
29 November 2019	0.243
31 December 2019	0.233
31 January 2020	0.180
28 February 2020	0.221
31 March 2020	0.174
29 April 2020	0.172
26 May 2020 (Last Trading Day)	0.171
30 June 2020	0.425
31 July 2020	0.420
11 August 2020 (Latest Practicable Date)	0.420

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.435 per Share on 23 June 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.163 per Share on 18 May 2020.

8. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts (the “**Experts**”) who have been named in this Scheme Document or have given opinion or advice which are contained in this Scheme Document:

Name	Qualification
KPMG	a licensed corporation under the SFO, licensed to carry out Type 6 (<i>advising on corporate finance</i>) regulated activity
China Tonghai	a licensed corporation under the SFO, licensed to carry out Type 1 (<i>dealing in securities</i>) and Type 6 (<i>advising on corporate finance</i>) regulated activities
Rainbow Capital	a licensed corporation under the SFO, licensed to carry out Type 6 (<i>advising on corporate finance</i>) regulated activity

Each of the Experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of its letter and advice (as the case may be) and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, none of the Experts has any shareholdings in the Company.

9. MISCELLANEOUS

- (i) The directors of the Offeror are Mr. Huang Kuei-Chin and Mr. Wu Ching-Yuan.
- (ii) The registered office of the Offeror is situated at Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa. The correspondence address of the Offeror is at 3 Chung Hua Road, Hukou, Hsinchu County, Taiwan (Republic of China).
- (iii) The Offeror is a company incorporated in Samoa which is wholly-owned by Sanyang, a company incorporated in Taiwan and listed on the Taiwan Stock Exchange.
- (iv) The registered office and corresponding address of Sanyang is at 3 Chung Hua Road, Hukou, Hsinchu County, Taiwan (Republic of China). The directors of Sanyang are Mr. Wu Ching-Yuan, Ms. Wu Li-Chu, Mr. Huang Yu-Chang, Mr. Chiang Li-Hsi, Mr. Chang Te-Ching, Mr. Tian Jen Hao, Mr. Chen Chiang, Mr. Chih-Hung Hsieh and Mr. Chung-Chuan Shih.
- (v) As at the Latest Practicable Date, each of 大洋投資有限公司 (Dayang Investments Co. Ltd.*), 川原投資有限公司 (Chuanyuan Investments Co. Ltd.*) and 百科投資有限公司 (Baikē Investments Co. Ltd.*) holds approximately 8.08%, 5.82% and 5.43% of Sanyang, respectively. Based on the website of the Ministry of Economic Affairs in Taiwan, as at the Latest Practicable Date, 大洋投資有限公司 (Dayang Investments Co. Ltd.*) is wholly-owned by an individual called 許調謀 (Hu Tiao-Mou*); 川原投資有限公司 (Chuanyuan Investments Co. Ltd.*) is wholly-owned by an individual called 王國億 (Wang Guo-Yi*); and 百科投資有限公司 (Baikē Investments Co. Ltd.*) is wholly-owned by an individual called 張文隆 (Jhang Wun-Long*). Each of 許調謀 (Hu Tiao-Mou*), 王國億 (Wang Guo-Yi*) and 張文隆 (Jhang Wun-Long*) also acts as the sole director of the company that they own respectively.
- (vi) Each of the registered address of 大洋投資有限公司 (Dayang Investments Co. Ltd.*), 川原投資有限公司 (Chuanyuan Investments Co. Ltd.*) and 百科投資有限公司 (Baikē Investments Co. Ltd.*) is at 1st Floor, 11 Jinye 3rd Road, Zhongshan District, Taipei City, Taiwan (Republic of China); 212 Xingda Road, West District, Chiayi City, Taiwan (Republic of China); and No. 33, 100 Buding Road, East District, Hsinchu City, Taiwan (Republic of China).
- (vii) The corresponding address of the Interested Directors is at 3 Chung Hua Road, Hukou, Hsinchu County, Taiwan (Republic of China).
- (viii) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ix) The principal place of business of KPMG is at 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong.
- (x) The principal place of business of China Tonghai is at 18/F, China Building, 28 Queen's Road, Central, Hong Kong.

- (xi) The principal office of the Company in Hong Kong is situated at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (xii) The company secretary of the Company is Ms. Ng Wing Shan ("Ms. Ng"). Ms. Ng is the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, and is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She has complied with all the required qualifications, experience and training requirements of the Listing Rules.
- (xiii) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, situated at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (xiv) This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 5:00 p.m. (except Saturday, Sunday and public holidays) and on the website of the Company at <http://www.vmeph.com/en> and the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until (a) the Effective Date; and (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the memorandum and articles of association of the Company;
- (iii) the annual reports of the Company for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 respectively;
- (iv) the interim results announcement of the Company for the six months ended 30 June 2020;
- (v) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (vi) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (vii) the letter from Rainbow Capital, the text of which is set out in Part VI of this Scheme Document;
- (viii) the written consents issued by KPMG, China Tonghai and Rainbow Capital referred to in the paragraph headed "8. Consents and qualifications of experts" in this Appendix;
- (ix) the material contracts as set out in the section headed "5. Material contracts" in this Appendix; and
- (x) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 151 of 2020 (ASCJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2020 REVISION) (AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER of VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED 越南製造加工出口(控股)有限公司

SCHEME OF ARRANGEMENT

Between

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

and

THE SCHEME SHAREHOLDERS
(as hereinafter defined)

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
“Cancellation Price”	the cancellation price of HK\$0.45 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme of Arrangement for every Scheme Share cancelled and extinguished
“China Tonghai”	China Tonghai Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and joint financial adviser to the Offeror

“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Vietnam Manufacturing and Export Processing (Holdings) Limited 越南製造加工出口(控股)有限公司, an exempted company incorporated in the Cayman Islands on 20 June 2005 with limited liability, the Shares are currently listed on the Main Board of the Stock Exchange (stock code: 422)
“Composite Scheme Document”	the composite scheme document of the Company and the Offeror issued to, among others, the Independent Shareholders containing, inter alia, further details of the Proposal
“Court Meeting”	a meeting of the Independent Shareholders convened at the direction of the Grand Court at which the Scheme of Arrangement will be voted upon
“Director”	a director of the Company
“Effective Date”	the date on which the Scheme of Arrangement, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the order of the Grand Court sanctioning the Scheme of Arrangement and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law, which is expected to be Tuesday, 6 October 2020 (Cayman Islands time) and Wednesday, 7 October 2020 (Hong Kong time)
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), 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 board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of, among others, the Proposal and the Scheme of Arrangement, comprising Ms Lin Ching Ching, Mr Shen Hwa Rong and Ms Wu Kwei Mei
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, the independent financial adviser to the Independent Board Committee appointed pursuant to Rule 2.1 of the Takeovers Code in relation to, among others, the Proposal and the Scheme of Arrangement, being a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties
“KPMG”	KPMG Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and joint financial adviser to the Offeror
“Latest Practicable Date”	11 August 2020, being the latest practicable date prior to the printing of the Composite Scheme Document for ascertaining certain information contained herein
“Offeror”	SY International Ltd., a company incorporated in Samoa with limited liability and is wholly-owned by the Parent
“Offeror Concert Parties”	parties acting in concert with or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, being Ms Wu Li Chu, Mr Chiang Chin Yung, Mr Liu Wu Hsiung, Mr Lin Chih Ming, Mr Chiu Ying Feng, KPMG and China Tonghai
“Parent”	Sanyang Motor Co., Ltd. (三陽工業股份有限公司), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation (stock code: 2206), and is the ultimate controlling shareholder of the Company and the sole shareholder of the Offeror
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme of Arrangement
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares

“Scheme Conditions”	the conditions to the implementation of the Scheme of Arrangement as set out in the section headed “Scheme Conditions” in the explanatory statement of the Composite Scheme Document
“Scheme Court Meeting Record Date”	Monday, 14 September 2020, or such other date as may be announced to, among others, the Independent Shareholders, being the record date for the purpose of determining the entitlement of the Independent Shareholders to attend and vote at the Court Meeting
“Scheme of Arrangement”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law (subject to satisfaction (or waiver as applicable) of the Scheme Conditions) involving the cancellation and reduction of all the Scheme Shares and the restoration of the number of issued Shares in the share capital of the Company to the amount immediately before the cancellation and reduction of the Scheme Shares
“Scheme Record Date”	6 October 2020, the date on which the Scheme of Arrangement becomes effective, or such other date as shall have been announced to the Independent Shareholders, being the record date for the purpose of determining the entitlement of the Independent Shareholders to the Cancellation Price upon the Scheme of Arrangement becoming effective
“Scheme Record Time”	4:00 p.m. (Hong Kong time) on the Scheme Record Date
“Scheme Shareholder(s)”	the holder(s) of Scheme Shares as at the Scheme Record Time on the Scheme Record Date
“Scheme Share(s)”	Share(s) other than those directly or indirectly held by the Offeror and the Offeror Concert Parties as at the Scheme Record Time on the Scheme Record Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 par value each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong

- (B) The Company was incorporated as an exempted company on 20 June 2005 with limited liability in the Cayman Islands under the Companies Law.
- (C) The Company has an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each.
- (D) The Offeror, which is wholly owned by the Parent, has proposed the privatisation of the Company by way of the Scheme of Arrangement.
- (E) The primary purpose of the Scheme of Arrangement is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration for the Cancellation Price so that after the completion of the Scheme of Arrangement, the Offeror will own 100% of the Company. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror credited as fully paid at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.
- (F) As at the Latest Practicable Date, 608,818,000 Shares were legally and/or beneficially owned by the Offeror and registered as follows:

Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror (aggregate number of Shares not voting on the Scheme of Arrangement)	608,818,000	67.07	907,680,000	100
Scheme Shareholders who are independent (i.e., Independent Shareholders)	298,862,000	32.93	–	–
Total Shares in issue	907,680,000	100	907,680,000	100
Total number of Scheme Shares (which represent all issued Shares except for those held by the Offeror)	298,862,000	32.93	–	–

* All percentages in the above table are approximation.

- (G) The Offeror and the Offeror Concert Parties will not attend and vote at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme of Arrangement. Only the Independent Shareholders will attend and vote at the Court Meeting.
- (H) The Offeror has undertaken to the Grand Court to be bound by the terms of the Scheme of Arrangement and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to and satisfying its obligations under the Scheme of Arrangement.

SCHEME OF ARRANGEMENT

PART I

Cancellation and extinguishment of the Scheme Shares and issue of new Shares credited as fully paid at par to the Offeror

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except the right to receive the Cancellation Price;
 - (b) subject to and forthwith upon such reduction of issued share capital taking effect, the issued share capital of the Company will be restored to its former amount by issuing to the Offeror the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares by paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay (or procure that there shall be paid) to each Scheme Shareholder (as appears in the Register at the Scheme Record Time on the Scheme Record Date);

for each Scheme Share cancelled and extinguished HK\$0.45 in cash

PART III

General

- 3. (a) As soon as possible and in any event not later than five (5) Business Days after the Effective Date, on request, the Company shall issue share certificate(s) to the Offeror.
- (b) As soon as possible and in any event not later than seven (7) Business Days (as defined under the Takeovers Code) after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders cheques representing the Cancellation Price.
- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar and transfer office of the Company, being Computershare Hong Kong Investor Services Limited, all cheques to be despatched to the Scheme Shareholders shall be sent by ordinary post to the Scheme Shareholders at their respective addresses as appearing in the Register at the Scheme Record Time on the Scheme Record Date.
- (d) Cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company shall be responsible for any loss or delay in receipt.
- (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.

- (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to the Scheme of Arrangement to persons who satisfy the Offeror that they are entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been encashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme of Arrangement. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (g) On the expiration of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme of Arrangement.
 - (h) Paragraph (g) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
 - (i) Upon cancellation and extinguishment of the Scheme Shares, the Register shall be updated to reflect such cancellation and extinguishment.
4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.
5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force at the Scheme Record Time on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
6. The Scheme of Arrangement shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law.

7. Unless the Scheme of Arrangement shall have become effective on or before 31 December 2020 or such later date as may be agreed between the Offeror and the Company, subject to approval by KPMG and China Tonghai, or to the extent applicable, as the Executive may consent and as the Grand Court on application of the Offeror or the Company may allow, the Scheme of Arrangement shall lapse and be of no effect.
8. The Company and the Offeror may, subject to the approval of the Grand Court and as the Executive may consent, jointly consent to any modification of or addition to the Scheme of Arrangement or to any condition contained therein.
9. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme of Arrangement incurred by each of the Offeror and the Company will be borne by them respectively.

Date 14 August 2020

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 151 of 2020 (ASCJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2020 REVISION) (AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER of VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED 越南製造加工出口(控股)有限公司

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Independent Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving (voting together as a single class), a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between Vietnam Manufacturing and Export Processing (Holdings) Limited 越南製造加工出口(控股)有限公司(the “**Company**”) and the Scheme Shareholders (as defined in the Scheme of Arrangement) and that the Court Meeting will be held at 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Monday, 14 September 2020 at 10:00 a.m. (Hong Kong time) at which place and time all Independent Shareholders are invited to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Independent Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. A copy of the composite scheme document can be obtained by the holders of the Taiwan depository receipts from 7/F., No. 85, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (Republic of China).

Independent Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite scheme document dated 14 August 2020 despatched to, among others, the Independent Shareholders on 14 August 2020. Completion and return of the **pink** form of proxy will not prevent an Independent Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she wishes to do so and in such event, the **pink** form of proxy previously submitted shall be deemed to have been revoked by operation of law.

In the case of Independent Shareholders jointly holding ordinary shares of HK\$0.01 par value each in the share capital of the Company (the “**Shares**”), any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such Share as if he/she was solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding of the Shares. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the Register of Members of the Company in respect of such joint holding of the Shares, the first named Independent Shareholder being the senior.

It is requested that **pink** form appointing proxies be deposited at the Hong Kong branch share registrar and transfer office of the Company in Hong Kong at Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 10:00 a.m. on Saturday, 12 September 2020, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them.

By the Order, the Court has appointed Lin Chun Yu, a director of the Company, or failing him, Lin Ching Ching, also a director of the Company, or failing her, any other person who is a director of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

On behalf of the Court
**Vietnam Manufacturing and Export
Processing (Holdings) Limited**
越南製造加工出口(控股)有限公司
Liu Wu Hsiung
Director

Hong Kong, 14 August 2020

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

Principal Place of Business in Hong Kong:
40th Floor, Sunlight Tower
No. 248 Queen’s Road East
Wanchai, Hong Kong

Notes:

- (1) An Independent Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint one, and if such Independent Shareholder is the holder of two or more Shares, more than one proxy (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the Court Meeting in person to represent him.
- (2) A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 14 August 2020 despatched to, among others, the Independent Shareholders.
- (3) In order to be valid, the **pink** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the Court Meeting or any adjournment thereof but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them. Completion and return of the **pink** form of proxy will not preclude an Independent Shareholder from attending the Court Meeting and voting in person if he so wishes. In the event that an Independent Shareholder attends and votes at the Court Meeting after having lodged his **pink** form of proxy, his **pink** form of proxy shall be deemed to have been revoked by operation of law.
- (4) In the case of joint Independent Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares. The one of the said joint holders so present whose name stands first on the Register of Members of the Company in respect of such Share(s) shall be accepted to the exclusion of the votes of the other joint holders.
- (5) Voting at the Court Meeting will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Wednesday, 9 September 2020 to Monday, 14 September 2020 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 8 September 2020.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of holders of ordinary shares of HK\$0.01 par value each (the “**Shares**”) in the share capital of Vietnam Manufacturing and Export Processing (Holdings) Limited 越南製造加工出口(控股)有限公司 (the “**Company**”) will be held at 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on Monday, 14 September 2020, at 11:00 a.m. (Hong Kong time) (or as soon as after the conclusion or the adjournment of the meeting of the Independent Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS1. “**THAT:**

- (a) pursuant to a scheme of arrangement dated 14 August 2020 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

2. “**THAT:**

- (a) subject to the Scheme of Arrangement has become effective, the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited be and is here approved; and
- (b) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.”

ORDINARY RESOLUTION

3. **“THAT:**
- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of ordinary shares of HK\$0.01 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled;
 - (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 3(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
 - (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

On behalf of the board of directors of
**Vietnam Manufacturing and Export
Processing (Holdings) Limited**
越南製造加工出口(控股)有限公司
Liu Wu Hsiung
Director

Hong Kong, 14 August 2020

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

Principal Place of Business in Hong Kong:
40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 14 August 2020 despatched to, among others, holders of Shares (the “Shareholders”).
- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his **white** form of proxy, his **white** form of proxy will be deemed to have been revoked by operation of law.
- (4) In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares. The one of the said joint holders so present whose name stands first on the Register of Members of the Company in respect of such Share(s) shall be accepted to the exclusion of the votes of the other joint holders.
- (5) Voting at the EGM will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Wednesday, 9 September 2020 to Monday, 14 September 2020 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 8 September 2020.