

RELATIONSHIP WITH THE SANYANG GROUP

BACKGROUND INFORMATION OF THE SANYANG GROUP

Sanyang was incorporated in Taiwan on 14 September 1961, and its shares have been listed on the Taiwan Stock Exchange since 29 July 1996. As at 30 September 2007, the Huang Family was the single largest shareholder of Sanyang, holding approximately 39.3% of its total issued share capital. As at the Latest Practicable Date, Sanyang, through its wholly-owned subsidiary, SYI, held a 90% shareholding in the Company. Immediately after completion of the Capitalisation Issue and the Global Offering, SYI will own approximately 69.4% (assuming that the Over-allotment Option is not exercised) or 66.9% (assuming that the Over-allotment Option is exercised in full) of the total issued share capital of the Company. The proposed Listing of the Company on the Stock Exchange is not subject to any regulatory approval from authorities in Taiwan. However, Sanyang, as a Taiwan listed company and a controlling shareholder of the Company, is required to make a public announcement on the website of the Taiwan Stock Exchange pursuant to the Taiwan Listing Rules once the Listing is approved.

The Sanyang Group is principally engaged in the manufacture of motorbikes and related parts (“**Sanyang’s Motorbike Business**”). It produces a wide range of motorbikes under the “SYM” brand name and trade marks of product names of motorbikes which it owns. It also manufactures motor cars and trucks and related parts (“**Sanyang’s Motor Car Business**”). It has two major production plants with full scale motorbike production facilities, one of which is located in Taiwan and the other one in Xiamen in the PRC. Sanyang also has another major production plant in Jiangsu Province in the PRC which is engaged in motorbike engine production.

The Sanyang Group began selling its motorbikes in the 1970s in Taiwan, which has remained its principal market. It also sells its products worldwide, including in countries in Europe such as Italy and Germany and other countries such as the United States and Australia. During the Track Record Period, the Sanyang Group sold motorbike parts to the Group for its manufacture of motorbikes in Vietnam and a small portion of its finished motorbikes for re-sale to the Group’s dealers in Vietnam for use in exhibitions. Apart from these, the Sanyang Group does not sell any of its motorbikes or related products in Vietnam, which is the Group’s principal market.

The table below sets out the revenue of the Sanyang Group (including the Group) for the three years ended 31 December 2004, 2005 and 2006:

	2004 ⁽²⁾		Year ended 31 December 2005 ⁽³⁾		2006 ⁽³⁾	
	NT\$'000	US\$'000 ⁽¹⁾ (equivalent)	NT\$'000	US\$'000 ⁽¹⁾ (equivalent)	NT\$'000	US\$'000 ⁽¹⁾ (equivalent)
Total revenue	30,400,563	935,402	35,735,913	1,099,567	35,137,062	1,081,140
Profit before tax	1,791,214	55,114	1,109,855	34,149	1,193,349	36,718

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- (1) The table adopts, as the translation rate, US\$1 equals NT\$32.5.
- (2) For the year ended 31 December 2004, the revenue of Sanyang in connection with Sanyang's Motorbike Business and Sanyang's Motor Car Business was approximately NT\$12,606.5 million (equivalent to approximately US\$387.9 million) and NT\$7,564.1 million (equivalent to approximately US\$232.7 million), respectively. No sales were made by Sanyang in connection with the segment, referred to as "others" (as defined below). Such segmental revenue information for the year ended 31 December 2004 only includes the revenue of Sanyang and does not include that of its subsidiaries, as the regulations governing the preparation of financial reports by securities issuers in Taiwan which were then adopted by Sanyang did not require such information to be prepared on a consolidated basis. Such information, which relates only to Sanyang, was extracted from the Sanyang Group's consolidated financial statements for the year ended 31 December 2004.
- (3) The financial information of the Sanyang Group for the years ended 31 December 2005 and 2006 shown above were extracted from the Sanyang Group's consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in Taiwan and have consolidated the financial results of all subsidiaries of Sanyang (including the Group). For the year ended 31 December 2005, the revenue of the Sanyang Group in connection with Sanyang's Motorbike Business, Sanyang's Motor Car Business and others (which includes the manufacture and sale of vehicles for use by the military forces of Taiwan and the products design business of the Sanyang Group) was NT\$19,153.4 million (equivalent to approximately US\$589.3 million), NT\$16,315.3 million (equivalent to approximately US\$502.0 million) and NT\$267.2 million (equivalent to approximately US\$8.2 million), respectively. For the year ended 31 December 2006, the revenue of the Sanyang Group in connection with Sanyang's Motorbike Business, Sanyang's Motor Car Business and others (as defined above) was approximately NT\$16,584.3 million (equivalent to approximately US\$510.3 million), NT\$13,465.5 million (equivalent to approximately US\$414.3 million) and NT\$5,087.3 million (equivalent to approximately US\$156.5 million), respectively.

The total revenue of the Group for the three years ended 31 December 2004, 2005 and 2006 was US\$261.0 million, US\$183.8 million and US\$184.3 million, respectively, and the profit before income tax of the Group for the same period was US\$47.9 million, US\$18.2 million and US\$25.9 million, respectively.

The table below sets out the geographical breakdown of the export sales (being sales outside of Taiwan) of Sanyang (which include sales of the Group's products conducted through Sanyang) for the three years ended 31 December 2004, 2005 and 2006:

	Year ended 31 December								
	2004			2005			2006		
	NT\$'000	US\$'000	%	NT\$'000	US\$'000	%	NT\$'000	US\$'000	%
	<i>(equivalent)</i>			<i>(equivalent)</i>			<i>(equivalent)</i>		
Asia	852,475	26,230	50.1	1,731,599	53,280	40.8	1,549,322	47,671	36.9
Europe	734,564	22,602	43.1	1,900,829	58,487	44.7	1,832,303	56,379	43.6
Other countries	115,821	3,564	6.8	616,020	18,954	14.5	820,895	25,258	19.5
Total Exports	<u>1,702,860</u>	<u>52,396</u>	<u>100.0</u>	<u>4,248,448</u>	<u>130,721</u>	<u>100.0</u>	<u>4,202,520</u>	<u>129,308</u>	<u>100.0</u>

- (1) The above table adopts, as the translation rate, US\$1 equals NT\$32.5.
- (2) The financial information shown above was extracted from the Sanyang Group's consolidated financial statements for the three years ended 31 December 2004, 2005 and 2006 which have been prepared in accordance with the generally accepted accounting principles in Taiwan.

The total number of motorbikes sold by Sanyang for the three years ended 31 December 2004, 2005 and 2006 was 300,601, 315,967 and 289,414, respectively.

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The combined spin-off of the Group's and Sanyang's motorbike business for listing in Hong Kong would, according to the advice given by Chien Yeh Law Offices, the Taiwan legal advisers of the Company, constitute a material divestment of business by Sanyang which would require a shareholders' special resolution to be passed (which according to the companies law of Taiwan, would require approval from two-thirds of the shareholders present at a shareholder's meeting) and a report to be filed with the Investment Commission of the Ministry of Economic Affairs of Taiwan, whereas the spin-off of only the Group's motorbike business for listing in Hong Kong would not, because of its smaller size and, therefore, its smaller contribution to the revenue of the Sanyang Group.

In connection with the Listing, Sanyang has executed the Deed of Non-competition in favour of the Company under which Sanyang has undertaken that it will not and will procure that its associates (which for this purpose, does not include the Group) will not, directly or indirectly, engage in any business that competes or is likely to compete with the business of the Group in the Exclusive Territory. The Deed of Non-competition, among other things, allows the Group to carry on the business of manufacturing and selling motorbikes and related parts in the Exclusive Territory to the exclusion of the Sanyang Group, thereby providing a clear geographical delineation of business between the Group and the Sanyang Group after the Listing.

One exception to the Deed of Non-competition is the VMEP Holdings Distributorship Agreement which Sanyang has entered into with the Company and under which Sanyang has appointed the Company as the exclusive distributor of its and its associates' motorbikes and related parts in the Exclusive Territory (except in the case of Vietnam, the Company will only have the right to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions).

The VMEP Holdings Distributorship Agreement has expressly carved out Vietnam as it is the major market for the Group's own products (and from which the Group derived over 90% of its revenue over the Track Record Period). This ensures that motorbikes and related parts manufactured by Sanyang and its associates will not be sold, whether directly or indirectly, in the Vietnam market unless where they are to be used as display models in exhibitions.

Under the VMEP Holdings Distributorship Agreement, it is the Company that has the absolute right to choose whether to purchase any motorbike or related part manufactured by Sanyang or any of its associates for resale within the Exclusive Territory. The Company does not have any obligation to purchase any product from Sanyang or any of its associates nor does Sanyang or any of its associates have the right to require the Company to make any such purchase.

Hence, motorbikes and related parts manufactured by Sanyang and its associates will be sold in the Exclusive Territory only through the Company or any of its subsidiaries, and such sales will be made only if the Company or such subsidiary chooses to sell the motorbikes and related parts. The VMEP Holdings Distributorship Agreement does not, in any way, give Sanyang or any of its associates the right to carry on any competing business within the Exclusive Territory and hence, will not have the effect of circumventing the Deed of Non-competition or obliterating the geographical delineation of business thereunder.

The ability of the Group to purchase motorbikes and related parts manufactured by Sanyang and its associates for resale within the Exclusive Territory will enable the Group to establish direct business relationships with distributors who previously purchased motorbikes and related parts from Sanyang, which the Group may not otherwise be able to do as it does not currently

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produce comparable motorbikes and parts and it will also take time for the Group to gain recognition and acceptance from such customers. The Group will also be able to use this customer base for developing sales of its own products.

The Company considers the VMEP Holdings Distributorship Agreement as a means of allowing it to maintain the existing customer base already created by Sanyang, which it will then use for developing sales of its own products in the longer term. To reflect its transitional nature and in compliance with the requirements under Chapter 14A of the Listing Rules, the VMEP Holdings Distributorship Agreement will have a term of three years. Upon the expiry of such three-year term in 2009, the Company will review whether it is appropriate to renew the term of the VMEP Holdings Distributorship Agreement and any such renewal will be subject to the approval of the independent non-executive Directors and compliance with applicable requirements under Chapter 14A of the Listing Rules.

Further details of the Deed of Non-competition are set out below, and further details of the VMEP Holdings Distributorship Agreement and related corporate governance measures are set out in the section headed “Connected Transactions” and in the sub-section headed “Corporate Governance Measures”, respectively.

Sanyang has granted an exclusive licence to the Company to use the “SYM” trade mark in the Exclusive Territory and the trade marks of certain product names of motorbikes, such as Attila Victoria and Magic II, in Vietnam in connection with the manufacture and sale of SYM motorbikes and/or related parts. In addition, Sanyang has granted an exclusive licence to VMEP to continue to use the Sanyang Licensed Technology in connection with the manufacture and sale of SYM motorbikes and related parts in the Exclusive Territory. Furthermore, the Company and Sanyang have entered into various agreements relating to (i) the provision of research and development and technical support services by Sanyang and its associates to the Group, (ii) the supply of motorbike parts by Sanyang to the Group and (iii) the supply of motorbike parts by the Group to Sanyang and its associates. Further details of these agreements as well as the trade mark and technology licensing arrangements described above are set out in the section headed “Connected Transactions”.

DEED OF NON-COMPETITION

Each of Sanyang and Mr. Huang Shi Hui (the Chairman and a director of Sanyang) (collectively, the “**Covenantors**”) has executed the Deed of Non-competition in favour of the Company, pursuant to which each of them has irrevocably and unconditionally, jointly and severally, warranted and undertaken to the Company (for itself and as trustee for each of its subsidiaries) that it/he shall not, and it/he shall procure that its/his associates (which for the purposes of the Deed of Non-competition, shall not include the Company and its subsidiaries) shall not, whether directly or indirectly or as principal or agent, and whether on its/his own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of the Group), do any of the following:

- (a) carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with any business presently carried on or that may be carried on by any member of the Group from time to time in the Exclusive Territory (or any part thereof); and

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- (b) take any action which interferes with or disrupts or may interfere with or disrupt any business presently carried on or that may be carried on by any member of the Group from time to time in the Exclusive Territory (or any part thereof) including, but not limited to, the solicitation of any of the customers, suppliers or employees of any member of the Group.

Each of the Covenantors has further irrevocably and unconditionally and jointly and severally undertaken to the Company (for itself and as trustee for each of its subsidiaries) that, if any new business opportunity relating to any business presently carried on or that may be carried on by any member of the Group from time to time in the Exclusive Territory (or any part thereof) (“**Business Opportunity**”) is made available to it/him or any of its/his associates, it/he shall and shall procure that its/his associates (excluding the Company and its subsidiaries) shall refer such Business Opportunity to the Company in the following manner:

- (a) it/he shall and shall procure that its/his associates (excluding the Company and its subsidiaries) shall give written notice to the Company of such Business Opportunity identifying the nature of the Business Opportunity, the investment or acquisition costs and other details reasonably necessary for the Company to consider whether to pursue such Business Opportunity;
- (b) the Company shall inform the Directors (including the independent non-executive Directors) and members of the senior management team of the Company of such Business Opportunity in writing immediately upon receiving a written notice of such Business Opportunity and the executive Directors together with other senior management members of the Company will, within five business days of being informed of such Business Opportunity, present a written memorandum setting out an analysis of such Business Opportunity and their recommendation and proposals in respect of such Business Opportunity to an independent board committee of the Company, comprising only of the independent non-executive Directors who do not have a material interest in such Business Opportunity;
- (c) the independent board committee of the Company shall convene a meeting to consider such Business Opportunity and the recommendations and proposals presented by the executive Directors together with other senior management members of the Company and to decide whether to pursue or decline such Business Opportunity;
- (d) if appropriate, the independent non-executive Directors may appoint independent financial advisers at the expense of the Company to assist in the decision-making process in relation to such Business Opportunity;
- (e) after such meeting, the independent board committee of the Company shall decide, independently of the other Directors, whether to pursue or decline such Business Opportunity and shall issue a written confirmation to the Company on its decision in respect of such Business Opportunity;
- (f) the Company shall notify in writing the relevant Covenantor, within 30 business days of receiving a written notice of such Business Opportunity (or such further period of time as would be reasonably necessary for the independent board committee of the Company to consider the Business Opportunity, as referred to below), of any decision taken to pursue or decline such Business Opportunity (the Directors believe that 30 business days is a reasonable period of time within which a final decision to pursue or decline the Business Opportunity could be made by the independent board committee

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of the Company) (in the event the independent board committee of the Company requires a further period of time to consider the Business Opportunity, the Company and the relevant Covenantor will permit such independent board committee to consider the Business Opportunity for such further period of time as would be reasonably necessary in the circumstances);

- (g) the relevant Covenantor shall be entitled to pursue such Business Opportunity if (i) it/he has received a notice from the Company declining such Business Opportunity or (ii) it/he has not received any notice from the Company within 30 business days from the date on which the Company received the written notice of such Business Opportunity given by the relevant Covenantor (or, within such further period of time as referred to in (f) above); and
- (h) if there is any material change in the nature of such Business Opportunity pursued by the relevant Covenantor, it/he will refer such Business Opportunity as so revised to the Company in the manner as outlined in paragraphs (a) to (g) above as if it were a new Business Opportunity.

The Directors believe that the above referral arrangement, pursuant to the Deed of Non-competition, in relation to any Business Opportunity which is made available to either of the Covenantors, will function effectively to resolve competition issues and protect minority interests as the decision to pursue or decline such Business Opportunity will be made solely by the independent board committee of the Company comprising only of independent non-executive Directors who do not have a material interest in such Business Opportunity and who will make decisions in the best interests of the Company and its Shareholders as a whole.

The Deed of Non-competition is subject to the following exceptions:

- (i) in relation to the assembly line that Sanyang (through one of its subsidiaries) owns in Jawa Barat province in Indonesia, Sanyang (itself or through such subsidiary) may continue to do such act or thing as may be necessary in connection with winding-up the operations of such assembly line, including the sale or disposal of all remaining inventory at such assembly line in Indonesia, by the end of June 2008 and the disposal of Sanyang's interest in such assembly line in accordance with the applicable laws and regulations in Indonesia by the end of 2008;
- (ii) the Deed of Non-competition does not prohibit Sanyang from, directly or indirectly, having a shareholding or ownership interest in VTBM;
- (iii) the Deed of Non-competition does not prohibit VTBM from carrying on its existing business of manufacturing and selling motorbike parts;
- (iv) each of the Covenantors may hold an interest in shares of not more than 5% in any company which is or whose holding company is listed on any recognised stock exchange (as defined under the SFO) even though the business carried on by that company is or is likely to be in competition with any business presently carried on or that may be carried on by any member of the Group from time to time in the Exclusive Territory provided that the aggregate number of shares held by the Covenantors does not exceed 5% of the issued shares of such company and none of the Covenantors is a director of such company or is entitled to appoint any director of such company; and

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- (v) the Deed of Non-competition does not apply to sales made by Sanyang and its associates pursuant to the VMEP Holdings Distributorship Agreement.

The Deed of Non-competition is conditional upon and will take effect once the Global Offering becomes unconditional in accordance with its terms. The respective obligations of the Covenantors under the Deed of Non-competition will terminate as follows: (i) in the case of Sanyang and its associates, on the date on which Sanyang (whether individually or together with any of its associates) shall cease to be a controlling shareholder of the Company, directly or indirectly; (ii) in the case of Mr. Huang Shi Hui and his associates, on the date on which (a) Sanyang (whether individually or together with any of its associates) shall cease to be a controlling shareholder of the Company, directly or indirectly, or (b) Mr. Huang Shi Hui shall cease to be a director of Sanyang, whichever is earlier and (iii) in the case of each Covenantor and its/his associates, on the date on which the Shares shall cease to be listed and traded on the Main Board of the Stock Exchange due to any reason (excluding the temporary suspension of trading of the Shares on the Main Board of the Stock Exchange due to any reason).

As confirmed by Chien Yeh Law Offices, the legal advisers of the Company as to Taiwan laws, the entering into, execution and performance of the Deed of Non-competition by Sanyang is not subject to shareholders' approval of Sanyang or any regulatory approval in Taiwan. For the avoidance of doubt, even if Sanyang ceases to be a controlling shareholder of the Company, Sanyang will remain subject to the restrictions imposed under (i) the Technology Licence Agreement, (ii) the Trade Marks Licence Agreement and (iii) if the Company exercises the Right (as defined below) pursuant to the SYM Agreement, the licence agreement entered into between the Company and Sanyang pursuant to the exercise of such Right, for so long as such agreements remain in effect in accordance with their terms. Hence, Sanyang will, under such agreements, not be able to use the "SYM" trade mark or the Sanyang Licensed Technology in connection with the manufacture and sale of motorbikes and related parts in the Exclusive Territory or grant to any third party the right to use the "SYM" trade mark and the Sanyang Licensed Technology in the Exclusive Territory for so long as such agreements remain in effect in accordance with their terms.

In view of the geographical delineation of the markets of the Group and the Sanyang Group under the Deed of Non-competition which reflects the Group's focus on the ASEAN countries as its principal markets and the Sanyang Group's focus on Taiwan, the PRC and Europe as its principal markets, there is, at present, no intention or plan on the part of either the Group or the Sanyang Group in relation to the injection of, whether in whole or in part, Sanyang's Motorbike Business into the Group. Save as disclosed herein, the Sanyang Group is not interested in any other business which competes or is likely to compete with the business of the Group.

The production of motorbikes at the assembly line which Sanyang (through one of its subsidiaries) owns in Indonesia will cease by the end of June 2008. As at 31 October 2007, the remaining inventory of motorbikes at such assembly line amounted to 221 motorbikes which are expected to be sold by the end of June 2008. Sanyang will dispose of its interest in such assembly line by the end of 2008 in accordance with the applicable laws and regulations in Indonesia and Sanyang has granted the Company a right of first refusal to acquire such assembly line.

INDEPENDENCE FROM SANYANG

Management and administrative independence

While Sanyang will remain as a controlling shareholder of the Company after completion of the Listing, the management of the Group will be independent of the management of the Sanyang Group.

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Sanyang and the Company have boards of directors that function independently of each other. The following table sets out details of the directorships of the Company and Sanyang upon completion of the Listing:

Name	Position in the Company upon Listing	Position in Sanyang or its subsidiaries upon Listing
Mr. Chang Kwang Hsiung (張光雄先生) ⁽¹⁾	Chairman and Executive Director	None
Mr. Chen Pang Hsiung (陳邦雄先生)	CEO and Executive Director	None
Mr. Lee Hsi Chun (李錫村先生)	Executive Director	None
Mr. Wang Ching Tung (王清桐先生)	Executive Director	None
Mr. Huang Kwang Wu (黃光武先生) ⁽²⁾	Non-executive Director	Director of Sanyang and certain of its subsidiaries
Mr. Liu Wu Hsiung Harrison (劉武雄先生) ⁽²⁾	Non-executive Director	Director of a company listed in India in which Sanyang had a 10.29% interest as at the Latest Practicable Date and certain of Sanyang's subsidiaries Vice general director of the overseas business division of Sanyang
Mr. Hsu Nai Cheng Simon (徐乃成先生)	Independent non-executive Director	None
Ms. Lin Ching Ching (林青青小姐)	Independent non-executive Director; Chairman of the audit committee	None
Mr. Wei Sheng Huang (魏昇煌先生)	Independent non-executive Director; Chairman of the remuneration committee	None
Mr. Huang Shi Hui (黃世惠先生)	None	Director of Sanyang
Mr. Huang Ching Yu (黃景宇先生)	None	Director of Sanyang
Mr. Huang Su Shiong (黃世雄先生)	None	Director of Sanyang
Mr. Huang Chieh Yu (黃介宇先生)	None	Director of Sanyang
Mr. Chiu Wen Ping (邱文彬先生)	None	Director of Sanyang
Mr. Lin Nai Shih (林迺時先生)	None	Director of Sanyang

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Name	Position in the Company upon Listing	Position in Sanyang or its subsidiaries upon Listing
Mr. Ko Chun Chong (柯君重先生)	None	Director of Sanyang
Mr. Chiang Chin Yung (江金鏞先生)	None	Director of Sanyang

- (1) Mr. Chang Kwang Hsiung will no longer have any position in the Sanyang Group upon Listing. The only other office he maintains is the directorship in Chinfon Cement Corporation which engages in cement production in Vietnam. He will devote most of his time and effort to the business of the Group upon Listing.
- (2) Given that both Mr. Huang Kwang Wu and Mr. Liu Wu Hsiung Harrison are non-executive Directors who do not have any executive function or active participation in the day-to-day business operations of the Group, it is anticipated that only a limited amount of their time and effort will be spent with the Group. However, both Mr. Huang Kwang Wu and Mr. Liu Wu Hsiung Harrison have extensive experience in the motorbike industry. Mr. Huang Kwang Wu has over 29 years of experience in the motorbike industry in Vietnam and Taiwan whereas Mr. Liu Wu Hsiung Harrison, through his experience in the sales department of VMEP and the export department of Sanyang, has established extensive business relationships with local motorbike factories and manufacturers in Vietnam and other ASEAN countries. Therefore, they will be able to provide directional input as to corporate strategies, planning and business development and export sales. They will attend all meetings of the Board as and when required by the Company. The Directors are of the view that Mr. Huang Kwang Wu and Mr. Liu Wu Hsiung Harrison will be able to effectively and sufficiently discharge their duties as non-executive Directors.

Of the Directors, Mr. Huang Kwang Wu is also a director of Sanyang and certain subsidiaries of Sanyang, and Mr. Liu Wu Hsiung Harrison is a director of a company listed in India in which Sanyang had a 10.29% interest as at the Latest Practicable Date and a director of certain subsidiaries of Sanyang. Mr. Liu Wu Hsiung Harrison is also the vice general director of the overseas business division of Sanyang. Both Mr. Huang Kwang Wu and Mr. Liu Wu Hsiung Harrison are non-executive Directors and, as such, do not have any active management role in the Group. None of the other directors of Sanyang has any executive function in the Group. For a more detailed description of the profiles and roles of the Directors, please refer to the section headed “Directors, Senior Management and Staff” of this prospectus.

Apart from the Directors, the Group also has its own management team that is independent of the management of the Sanyang Group. Most of the senior management members of the Group have been in office for all or substantially all of the Track Record Period and have undertaken key management responsibilities in relation to the business of the Group such as strategic planning, financial and day-to-day operational management. The senior management members of the Group hold annual strategy meetings to formulate business strategies and monthly meetings to review the implementation of such strategies and analyse market competition. The strategic and operational management undertaken includes formulating strategies in market development in Vietnam, advertising and setting sales targets. The board of directors of VMEP only met as and when necessary for matters required by law or regulation to be approved by the board of directors, such as the approval of annual budget, obtaining of credit facilities, payment of dividends, increasing investment capital and investment in subsidiaries and appointment of directors. All decisions relating to the strategic management and business operations of the Group over the Track Record Period were discussed and approved by the senior management members of the Group. While a significant number of those senior management members were previously employees of the Sanyang Group who were seconded to the Group, all of them have been transferred to become full-time employees of the Group. These senior management members comprise of Mr. Chen Pang Hsiung, Mr. Chang Hsi Cheng, Mr. Tseng Kuo Lung, Mr. Tsai Yu Tsai, Mr. Lin Chao Shun and Mr. Chang Tu Hsuan. Mr. Chen

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Pang Hsiung has been appointed as an executive Director. None of these senior management members currently holds any office in or is otherwise employed by the Sanyang Group.

All essential administrative functions such as financial and accounting systems, information technology systems and human resources management have been and will continue to be operated by the Group independently without any reliance on the support of Sanyang.

Operational independence

Production

The Sanyang Group and the Group each has its own production facilities at different locations. Neither of them shares any part of its production facilities with the other.

The Sanyang Group has two major production plants with full scale motorbike production facilities, one of which is located in Taiwan and the other one in Xiamen in the PRC. Sanyang also has another major production plant in Jiangsu Province in the PRC which is engaged in motorbike engine production.

The Group has two principal production plants for the full scale manufacture of motorbikes and related parts, one of which is located in Ha Tay Province and the other in Dong Nai Province in Vietnam. The Group holds all relevant licences, permits and approvals necessary to carry on its business and has sufficient equipment and employees to operate its business independently from the Sanyang Group.

Sales

The Group currently sells a significant portion of its products in Vietnam. Sales in Vietnam accounted for approximately 96.5%, 90.9%, 90.6% and 90.8% of its total revenue in the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively. The Sanyang Group, on the other hand, has continued to focus on Taiwan and the PRC as the principal markets for its motorbikes, although it also sells an increasing portion of its products to other markets such as Italy and Germany. The Sanyang Group sells to the Group a small portion of its finished motorbikes for re-sale to the Group's dealers for use in exhibitions.

Over the Track Record Period, all sales in Vietnam were made by the Group directly to its customers without any involvement on the part of the Sanyang Group. The geographical delineation of the market for motorbikes and related parts produced by the Group and those by the Sanyang Group has now been formalised by way of the Deed of Non-competition which, among other things, gives the Group the right to carry on the business of manufacturing and selling motorbikes and related parts in the Exclusive Territory to the exclusion of the Sanyang Group.

Throughout the Track Record Period, for markets outside Vietnam (such as Singapore, Malaysia and the Philippines), the Group sold its products to the Sanyang Group which then distributed or re-sold them to customers located in those markets. Those sales accounted for approximately 3.5%, 9.1%, 9.4% and 9.2% of the Group's total revenue in the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively.

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After completion of the Listing, the Group will continue to handle all sales within Vietnam directly and will cease relying on the Sanyang Group and start selling its products directly to customers located in the other markets within the Exclusive Territory through Chin Zong. The Group does not expect that markets outside the Exclusive Territory will be its principal focus in the near term. Chin Zong has entered into new sales agreements with various customers in the Exclusive Territory but outside of Vietnam who had been purchasing the Group's products through Sanyang under sales agreements during the Track Record Period, and such sales agreements between these customers and Sanyang have been terminated. Sanyang would not be able to sell any of its products in the Exclusive Territory even if it was approached by any customer as it is prohibited from engaging in the manufacture or sale of motorbikes and related parts within the Exclusive Territory for so long as it is a controlling shareholder of the Company under the Deed of Non-competition.

Over the Track Record Period, as part of its export sales, the Group also supplied various motorbike parts to the Sanyang Group for its manufacturing purpose. Sales of motorbike parts to the Sanyang Group accounted for approximately 0.3%, 0.8%, 1.0% and 1.1% of the Group's total revenue in the years ended 31 December 2004, 2005 and 2006 and the six-month period ended 30 June 2007, respectively. The Group will continue to supply motorbike parts after completion of the Listing pursuant to the VMEP Holdings Parts Sales Agreement entered into between the Company and Sanyang.

The Group does not expect that sales being made pursuant to the VMEP Holdings Parts Sales Agreement will account for any significant part of the Group's total revenue after completion of the Listing (as shown by the annual caps in terms of the value of the transactions that can be carried out pursuant to each of those agreements which have been set for the purposes of complying with the requirements applicable to connected transactions under Chapter 14A of the Listing Rules). On such basis, the Directors do not consider that the Group relies, to any material extent, on the Sanyang Group in relation to the sales of any of its products.

Further details of the VMEP Holdings Parts Sales Agreement and the annual caps set for transactions to be carried out under each of those agreements are set out in the section headed "Connected Transactions".

Procurement

The Group sources the majority of its raw materials and parts from Independent Third Parties. Approximately 63.3%, 62.3%, 70.4% and 78.0% of the Group's total purchases were made from Independent Third Parties in the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively.

The Group also purchases motorbike parts from the Sanyang Group which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties. While the Group is not under any contractual obligation to purchase such parts from the Sanyang Group, they are essential to the production of motorbikes which are currently produced by the Group using Sanyang Licensed Technology. During the Track Record Period, the parts purchased from or sourced by the Sanyang Group included carburettors, pulleys and brake units. As these parts are all manufactured or sourced outside Vietnam, when the Group purchases them from the Sanyang Group, it also provides the Group with quality testing, packaging, customs clearance and logistics services. The Group's total purchases of motorbike parts from the Sanyang Group (including VTBM) amounted to approximately US\$55.9 million, US\$35.5 million, US\$29.5 million

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and US\$15.2 million, which accounted for approximately 32.4%, 32.4%, 26.5% and 20.4% of the Group's total purchases for the three years ended 31 December 2004, 2005 and 2006 and the six-months period ended 30 June 2007, respectively.

The Company is unable to provide a breakdown in terms of dollar value of those parts that were manufactured by the Sanyang Group and those that were sourced by it from Independent Third Parties. The reasons are (i) the parts purchased by the Group from the Sanyang Group are in the form of incomplete knock-down parts ("IKDs") for use in specific models of motorbikes (which include for instance, Attila Victoria and Excel). Typically, an IKD consists of up to almost 100 smaller parts which are mainly used in the manufacture of motorbike engines and body frames for the Group's products. While the Group's procurement records contain details of the type and quantity of the IKDs purchased by the Group from the Sanyang Group over the Track Record Period and of the smaller parts contained in the IKDs, those records do not show whether each such smaller part is manufactured or sourced by the Sanyang Group as such information is of no importance or relevance to the Group and (ii) although Sanyang's procurement system can differentiate those smaller parts contained in the IKDs which are manufactured by the Sanyang Group and those sourced by it from Independent Third Parties and contains a record of production costs of the manufactured parts and the purchase costs of the sourced parts, Sanyang's sales records only contain information as to the type of IKDs sold to the Group but do not contain direct information as to the smaller parts contained in those IKDs or whether those smaller parts are manufactured or sourced by the Sanyang Group. None of the smaller parts contained in the IKDs are exclusively supplied to the Sanyang Group and so far as the Group is aware, there are readily available alternative sources of supply for all of those parts. In addition, the Group (if it becomes necessary to do so) has the exclusive right to produce or outsource the production of those smaller parts contained in the IKDs pursuant to the Technology Licence Agreement.

The parts which are sourced by the Sanyang Group from Independent Third Parties are generally available in the market and the Group has knowledge of who these suppliers are. There is no exclusive arrangement between the Group and the Sanyang Group which prohibits the Group from purchasing directly from these suppliers. As at 30 September 2007 there were a total of 96 Independent Third Parties which supplied parts to both the Sanyang Group and the Group through the Sanyang Group. The Group is purchasing these parts through the Sanyang Group and not directly from Independent Third Parties because they are also required by the Sanyang Group for its production and by combining its demand with those of the Group, the Sanyang Group is able to negotiate better terms with those suppliers to its and the Group's mutual benefit. While the Group will be able to source those parts directly from the Independent Third Party at comparable quality, its terms of purchase (including purchase price) may not be as favourable as those that the Sanyang Group is able to negotiate by combining its and the Group's volume of purchase. Hence, the Group does not purchase directly from any Independent Third Party who supplies to the Sanyang Group. A majority of these parts are all currently sourced from suppliers outside Vietnam because they are either unavailable or not of acceptable quality or competitive pricing in Vietnam. The Sanyang Group is also able to provide quality testing, packaging, customs clearance and logistics services to the Group at a lower cost than if the Group had to request such services to be provided directly by Independent Third Parties.

The Group will continue to purchase motorbike parts from the Sanyang Group after completion of the Listing pursuant to the VMEP Holdings Purchase Agreement and VMEP Holdings VTBM Purchase Agreement, further details of which are set out in the section headed "Connected Transactions". The Directors do not believe that the Group relies, to any material

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extent, on the supply of any of the parts required for its production from the Sanyang Group as (a) for parts currently sourced by the Sanyang Group from suppliers who are Independent Third Parties, the Group will be able to purchase them directly from those suppliers or other suppliers; and (b) for parts manufactured by the Sanyang Group, the Group will, as part of its efforts to strengthen its research and development capabilities after completion of the Listing, continue to develop the ability to manufacture them in place of purchasing them from the Sanyang Group. In addition, the Directors intend to increase the Group's procurement of raw materials and motorbike parts from Independent Third Parties in Vietnam or within AFTA and reduce the Group's procurement from the Sanyang Group as part of its efforts to localise its supply chain and reduce any reliance on the Sanyang Group for the supply of parts required for its production of motorbikes.

In addition, the Group also purchased motorbike parts from Teamworld and Chinlead during the Track Record Period. Teamworld and Chinlead are both related parties of the Group by virtue of being companies effectively controlled by the Huang Family, but are not members of the Sanyang Group. The Group's total purchases of motorbike parts from Teamworld amounted to approximately US\$7.5 million, US\$5.8 million, US\$3.4 million and US\$1.3 million, which accounted for approximately 4.3%, 5.2%, 3.0% and 1.7% of the Group's total purchases for the three years ended 31 December 2004, 2005 and 2006 and the six-months period ended 30 June 2007, respectively. The Group's total purchases of motorbike parts from Chinlead amounted to approximately US\$0.03 million, US\$0.02 million and US\$0.006 million, which accounted for approximately 0.02%, 0.02% and 0.005% of the Group's total purchases for the three years ended 31 December 2004, 2005 and 2006, respectively (the Group not having made any purchase from Chinlead in the six-month period ended 30 June 2007). The Group engaged Teamworld as its sourcing agent to source parts for use in after-sales maintenance and repair services. The motorbike parts purchased by the Group from Chinlead were primarily used in connection with the Group's production of its motorbikes. All purchases of motorbike parts by the Group from Teamworld and Chinlead have been discontinued prior to the Listing. After the Listing, the Group will directly source the relevant parts from the suppliers who previously supplied those parts to Teamworld during the Track Record Period.

Technology and trade marks

- (i) Use of the "SYM" trade mark in connection with the manufacture and sale of SYM motorbikes and related parts manufactured by using the Sanyang Licensed Technology

Sanyang has granted an exclusive licence to VMEP to continue to use the Sanyang Licensed Technology in connection with the manufacture and sale of SYM motorbikes and related parts in the Exclusive Territory. Sanyang has also granted an exclusive licence to the Company to use the "SYM" trade mark in the Exclusive Territory and the trade marks of certain product names of motorbikes such as Attila Victoria and Magic II in Vietnam in connection with the manufacture and sale of SYM motorbikes and/or related parts produced by using the Sanyang Licensed Technology. Such licensing arrangements will continue after completion of the Listing pursuant to the Technology Licence Agreement and the Trade Marks Licence Agreement, further details of which are set out in the section headed "Connected Transactions". The Technology Licence Agreement and the Trade Marks Licence Agreement will remain in effect (i) for so long as Sanyang remains a controlling shareholder of the Company and no competitor (being any company which engages in the manufacture and sale of motorbikes, including cubs or scooters, and related parts anywhere in the world) has become a controlling shareholder of the Company and whose shareholding in the Company exceeds that of Sanyang; and (ii) for a period of 20

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years after Sanyang ceases to be a controlling shareholder of the Company but for so long as no competitor (as defined above) has become a controlling shareholder of the Company and whose shareholding in the Company exceeds that of Sanyang. The Trade Marks Licence Agreement and the Technology Licence Agreement help safeguard the Group's right to use the "SYM" trade mark and the Sanyang Licensed Technology within the Exclusive Territory during the term of those agreements. The exclusive nature of such licences means Sanyang or any of its associates cannot itself use or license any other party to use the "SYM" trade mark and the Sanyang Licensed Technology in connection with the manufacture and sale of motorbikes and related parts in the Exclusive Territory.

Currently, the trade marks of product names of motorbikes, such as Attila Victoria and Magic II, which have been licensed by Sanyang to the Company under the Trade Marks Licence Agreement are only registered in Vietnam and as such, Sanyang can only grant a licence to the Company to use the trade marks of those product names of motorbikes in connection with the manufacture and sale of SYM motorbikes in Vietnam. However, the Trade Marks Licence Agreement and the Technology Licence Agreement do not restrict the Group from promoting or selling SYM motorbikes in the Exclusive Territory, including in areas outside of Vietnam, by using product names of motorbikes licensed to the Company by Sanyang. The product names of motorbikes are used on SYM motorbikes for promotional and marketing purposes only and the Group has the unfettered right to change the product name of an SYM motorbike at any time to other product names, whether or not the product names are licensed from Sanyang, in order to suit the demand and requirements of the market into which the Group intends to sell SYM motorbikes.

Currently, all motorbikes of the Group carrying the "SYM" trade mark are produced by the Group using the Sanyang Licensed Technology. The table below sets out a breakdown of the Group's sales of motorbikes during the Track Record Period, comprising sales of (i) motorbikes produced by the Group that carry the "SYM" trade mark (by scooters and cubs), (ii) motorbikes produced by the Group that carry the "SANDA" trade mark (by scooters and cubs) and (iii) other motorbikes which were not produced by the Group but were purchased by the Group from the Sanyang Group and re-sold to customers in Vietnam solely for use in exhibitions.

	Year ended 31 December			Six months ended
	2004 (Units)	2005 (Units)	2006 (Units)	30 June 2007 (Units)
SYM scooters	107,664	81,951	115,972	77,066
SYM cubs	124,763	57,987	36,275	17,542
Total SYM motorbikes	232,427	139,938	152,247	94,608
SANDA scooters	–	–	272	129
SANDA cubs	12,392	17,832	9,140	8,259
Total SANDA motorbikes	12,392	17,832	9,412	8,388
Other motorbikes for exhibition purposes	6	5	5	0
Total	244,825	157,775	161,664	102,996

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The table below sets out the sales volume of motorbikes produced by the Group that carry the “SYM” trade mark:

	Year ended 31 December			Six months ended
	2004	2005	2006	30 June 2007
	<i>(Units)</i>	<i>(Units)</i>	<i>(Units)</i>	<i>(Units)</i>
SYM motorbikes	238,692	141,181	144,732	85,753

The Group relied on the Sanyang Licensed Technology to carry out its production of cubs and scooters when it first established its operations in Vietnam in 1993 and during the early stages of its operations. As it gained experience, the Group began to develop and produce cubs and scooters using its own technical know-how and under its own “SANDA” trade mark which is a registered trade mark in Vietnam. Currently, three models of cubs produced by the Group are marketed under the “SANDA” trade mark.

Currently, motorbikes produced under the “SYM” trade mark by using the Sanyang Licensed Technology are primarily targeted at the high-end market, while those produced under the “SANDA” trade mark are primarily targeted at lower-income consumers. The SYM motorbikes possess certain features, such as an electronic ignition system, remote start-up control system and higher fuel efficiency engines that SANDA motorbikes do not have. Certain of the parts and materials used in the manufacture of SYM motorbikes are also of a higher quality and are more durable than those used in the manufacture of SANDA motorbikes and hence, the cost of such parts and materials are higher for SYM motorbikes than for SANDA motorbikes. While there is no fundamental difference in the core technology used in the production of SYM and SANDA motorbikes, the Sanyang Licensed Technology enables the Group to incorporate more advanced technical features in its products which the Sanyang Group, by virtue of its more extensive research and development resources, is able to develop from time to time.

As at 30 September 2007, the Group’s research and development team comprised over 160 full-time employees. The Directors expect that while the Sanyang Licensed Technology will, in the near term, continue to be important to the production operations of the Group and the discontinuation of any such licensing arrangement could have an adverse impact on its business, such importance will reduce over time as the Group seeks to strengthen its research and development capabilities. Please also refer to “Risk Factors — Risks relating to the Group — The Group has been reliant on Sanyang”.

One of the principal strategies of the Group after completion of the Listing is to strengthen its research and development capabilities. The Group, for instance, commenced construction of a research and development centre in August 2007 in Vietnam, and part of the proceeds arising from the Global Offering have been ear-marked for funding the costs of building and equipping this centre. The Directors expect that this new research and development centre will play a key role in the development of new products and production technology and will enable the Group to acquire the capability to undertake more sophisticated research such as the development of new engines in addition to its current capability to undertake limited design modifications and improvements. The Directors also expect such enhanced research and development capability to allow the Group more room to develop products under its own brand names.

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At the same time as it seeks to strengthen its own research and development capability, the Group will continue to maintain technical co-operation with the Sanyang Group. Hence, in addition to the continued licensing arrangements described above, the Company has also entered into the Research and Development and Technical Support Services Agreement with Sanyang, further details of which are set out in the section headed “Connected Transactions”. Given the long history of the Sanyang Group’s involvement in motorbike production since the 1960s, the goodwill it has established for the “SYM” brand name and the significant technical expertise and resources it has built up, the Directors believe that the Group will continue to benefit from such technical cooperation and do not consider it to amount to undue reliance on the Sanyang Group.

- (ii) Use of the “SYM” trade mark in connection with the manufacture and sale of SYM motorbikes and related parts produced by using the Group’s own developed technology

The Company and Sanyang entered into the SYM Agreement on 26 November 2007, pursuant to which Sanyang has, at a nominal consideration of US\$1.00, granted the Company the right (the “**Right**”) to require Sanyang to grant the Company an exclusive licence for the use of the “SYM” trade mark in connection with the manufacture and sale of SYM motorbikes and related parts produced by using technology developed by the Group within the Exclusive Territory.

Currently all products of the Group carrying the “SYM” trade mark are produced by using the Sanyang Licensed Technology. Going forward, it is the Group’s intention to strengthen its own research and development capabilities to enable it to develop its own brands and technology and to reduce its reliance on the Sanyang Licensed Technology and the “SYM” trade mark. However, the Directors envisage that it may take time for the Group to establish market recognition for its new brands. Hence, to ensure that the Group retains the flexibility to use the “SYM” trade mark on products produced by using its own developed technology if it should decide to do so, the Company entered into the SYM Agreement with Sanyang.

Under the SYM Agreement, the Company obtained the right to require Sanyang to grant an exclusive licence to use the “SYM” trade mark and not the immediate grant of such a licence. The Directors do not consider that the Group has an immediate need for such a licence as it will take time for the Group to acquire the capability to develop its own models of motorbikes through its research and development efforts and the Group will only acquire full capability to develop and strengthen its technology upon the commencement of operation of its research and development centre in 2009. In deciding whether and when to exercise the Right, the Directors will take into account factors such as the progress in the Group’s research and development activities and the level of continued market recognition of the “SYM” brand at the time.

The following mechanism will be adopted by the Company in connection with the exercise of the Right. The executive Directors will set out in a report to the independent non-executive Directors the reasons for the proposed exercise of the Right and the benefits that it is expected to bring to the Group. The independent non-executive Directors will have 10 business days (or such longer period as they may consider appropriate) to review the report submitted by the executive Directors and to form their view as to whether to support the exercise of the Right. The Right may only be exercised if it is recommended by the independent non-executive Directors.

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The Company may, by giving not less than 14 days' notice to Sanyang, exercise the Right:

- (i) for so long as Sanyang remains a controlling shareholder of the Company and no competitor (being defined in the SYM Agreement as any company which engages in the manufacture and sale of motorbikes, including cubs or scooters, and related parts anywhere in the world) has become (directly or indirectly) a controlling shareholder of the Company and whose shareholding in the Company exceeds that of Sanyang; and
- (ii) if Sanyang ceases to be (directly or indirectly) a controlling shareholder of the Company, for a further period of 20 years after the date on which Sanyang ceases to be a controlling shareholder of the Company but for so long as no competitor (as defined above) has become a controlling shareholder of the Company and whose shareholding in the Company exceeds that of Sanyang.

If a competitor (as defined above) has become a controlling shareholder of the Company and such competitor's shareholding in the Company exceeds that of Sanyang at any time, the Right will lapse.

Once the Company has given notice to Sanyang to exercise the Right and subject to the Company having complied with such requirements as may then be applicable under the Listing Rules (including independent shareholders' approval) and the licence fee (or royalty) payable by the Company to Sanyang having been determined by a firm of independent valuers of international repute, Sanyang will be obliged to enter into a trade mark licence agreement with the Company to grant an exclusive licence to the Company for the use of the "SYM" trade mark in connection with the manufacture and sale of SYM motorbikes and related parts within the Exclusive Territory produced by using technology developed by the Group.

Such licence agreement will, where the Company exercises the Right in the situation described in (i) above, come into effect on the date of its execution and remain effective for so long as Sanyang remains as a controlling shareholder of the Company, and where the Company exercises the Right in the situation described in (ii) above, come into effect on the date of its execution and remain effective up to and including the date falling immediately before the 20th anniversary of the date on which Sanyang ceases to be a controlling shareholder of the Company.

Such licence agreement will be subject to termination in certain circumstances, including in any one of the following scenarios:

- (a) Sanyang has a right to terminate immediately if:
 - (i) a competitor (as defined above) becomes a controlling shareholder of the Company; and
 - (ii) such competitor's shareholding in the Company exceeds that of Sanyang.
- (b) Either party has a right to terminate immediately if:
 - (i) the other party is in material breach of the agreement; or
 - (ii) the other party becomes insolvent or be subject to winding-up.

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The licence fee (or royalty) payable under such licence agreement will be determined by a firm of independent valuers of international repute and will be subject to review by such independent valuers at intervals of three years, taking account of comparable market rates at the relevant time.

It is the Group's long term objective to develop and strengthen its research and development capabilities thereby enabling it to develop new models of motorbikes using its own technology and brands. The Directors consider that the maximum period of 20 years for which the Group will be able to continue to use the "SYM" trade mark under the SYM Agreement if Sanyang should cease to be a controlling shareholder of the Company will provide the Group with sufficient time to accomplish such objective.

Financial independence

Over the Track Record Period, the Sanyang Group had provided loans to the Group and guarantees in respect of the bank borrowings of the Group. All such loans have been repaid and all such guarantees have been released. As at the Latest Practicable Date, there was no outstanding loan owed by any member of the Group to any member of the Sanyang Group and no member of the Sanyang Group had given any guarantee or security in respect of any bank or other borrowings or indebtedness of any member of the Group. Hence, the Group is not financially dependent on any financing, guarantee or security being provided by the Sanyang Group. The Group began placing deposits with one of the branch offices of Chinfon Commercial Bank in Vietnam when VMEP was established in Vietnam in 1992, as at the time, Chinfon Commercial Bank was one of a small number of foreign commercial banks which had set up branch offices in Vietnam. Chinfon Commercial Bank is effectively controlled by the Huang Family. As at 31 December 2006, the Group had deposits in the aggregate amount of approximately US\$11.7 million placed in such branch office of Chinfon Commercial Bank in Vietnam. All deposits placed by the Group with Chinfon Commercial Bank have been discontinued prior to the Listing. In addition, the Group has its own accounting and finance department, independent treasury functions for cash receipts and payments and independent access to financing which are not connected or otherwise related to the Sanyang Group.

Given the above reasons, the Directors are of the view that the business of the Group is clearly delineated from those of the Sanyang Group and the Group is capable of carrying on its business independently of the Sanyang Group after the Listing. The Sponsor is also of the same view.

Save as disclosed in this prospectus, the Directors have confirmed that the controlling shareholder of the Company, the Directors and their respective associates do not have any interest (as defined in Rule 8.10 of the Listing Rules) in any business outside of the Group that competes or may compete with the business of the Group and none of the above persons has any material conflict of interest with the Group.

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Corporate governance measures

(i) *Continuing connected transactions and Deed of Non-competition*

The following measures will be adopted by the Company in connection with, amongst other things, monitoring compliance with and if necessary, enforcing the Deed of Non-competition and the various agreements relating to the continuing connected transactions of the Company (further details of which are set out in the section headed “Connected Transactions” of this prospectus):

- The independent non-executive Directors will review the terms of the continuing connected transactions of the Company on an annual basis and confirm in the annual report of the Company that the transactions have been entered into in the ordinary and usual course of business of the Company and on normal commercial terms, are in accordance with the relevant continuing connected transaction agreement governing such transactions and on terms that are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.
- The auditors of the Company shall provide a letter to the Board on an annual basis confirming that (i) the continuing connected transactions have received the approval of the Board, (ii) the continuing connected transactions have been entered into in accordance with the relevant continuing connected transaction agreement governing such transactions and (iii) on the basis of the unaudited accounts of the Group for each year, the value of the transactions carried out pursuant to each of the agreements relating to the continuing connected transactions of the Company during such year has not exceeded the relevant annual cap for such transactions.
- The Company shall allow, and shall procure that the counterparty to the continuing connected transactions shall allow, the auditors of the Company to have sufficient access to the records of the Company and such counterparty for the purpose of reporting on the transactions in accordance with Rule 14A.38 of the Listing Rules. In addition, the Board shall confirm in the annual report of the Company whether the auditors of the Company have confirmed the matters set out in Rule 14A.38 of the Listing Rules.
- In accordance with the Articles, if any matter in relation to (i) any transaction in which any Director (“**Conflicted Director**”) with overlapping roles or responsibilities in a controlling shareholder of the Company or any of his associates is materially interested or (ii) any continuing connected transaction of the Company is required to be considered and approved by the Board:
 - (a) any Conflicted Director and any Director who holds any office or has any interest in any connected person of the Company who is a counterparty to such transactions under (ii) above will be required to abstain from voting (nor be counted in the quorum) on any resolution relating to the approval of such matter nor will he be counted as part of the quorum for any meeting of the Board held to consider such matter;

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(b) any Director who is subject to the restriction described in (a) above shall not be entitled to attend the relevant board meeting or the relevant part of any board meeting held to consider such matter nor participate in the discussions relating to such matter unless his attendance and participation are specifically invited by the independent non-executive Directors, in which case, he would still be subject to the restrictions on voting and quorum described in (a) above.

- The independent non-executive Directors will review and monitor compliance by the controlling shareholders of the Company with the Deed of Non-competition on an annual basis.
- Each of the controlling shareholders of the Company has undertaken to the Company to provide the Company with such information as may be required by the independent non-executive Directors and by the Company in connection with any enforcement of the Deed of Non-competition.
- Each of the controlling shareholders of the Company has undertaken to the Company to make a declaration annually on compliance with the Deed of Non-competition in the relevant annual report of the Company.
- The Company will disclose in its annual reports the details of the mechanisms which have been put in place to protect the independent Shareholders, with a discussion on how those mechanisms have operated during the relevant period.
- The Company will disclose in its annual reports or by way of announcements to the public, the results of the review undertaken by the independent non-executive Directors on compliance by the controlling shareholders of the Company with the Deed of Non-competition, including the manner in which the terms of the Deed of Non-competition have been complied with.

(ii) VMEP Holdings Distributorship Agreement

The following measures will be adopted by the Company in connection with all transactions which the Company proposes to enter into under the VMEP Holdings Distributorship Agreement (further details of which are set out in the section headed “Connected Transactions” of this prospectus):

- (a) the independent non-executive Directors will, on a quarterly basis, be asked to review and pre-approve any proposed purchases of motorbikes and related parts from Sanyang or its associates under the VMEP Holdings Distributorship Agreement at the beginning of each quarterly period;
- (b) for this purpose, the executive Directors will provide the independent non-executive Directors not less than 21 days before the start of each quarterly period:
 - (i) details of the transactions expected to be entered into, including the model or product name(s), quantity and price (if available) of the motorbike(s) or related part(s) manufactured by Sanyang or its associates which the Company intends to purchase from Sanyang or its associates;
 - (ii) confirmation that such products are not produced by the Group; and

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(iii) details of any indicative demand for such products that the Company may already have received from customers within the Exclusive Territory, including model or product name(s), quantity and price;

- (c) in deciding whether to approve such transactions, the independent non-executive Directors will take into account factors such as whether the motorbike(s) or related part(s) manufactured by Sanyang or its associates which the Company intends to purchase from Sanyang or its associates are different from the motorbikes or related parts produced by the Group in terms of, amongst other criteria, model type, model name and horsepower, and may request the executive Directors to provide such further information as they may reasonably require.

(iii) further acquisition and disposal of assets or businesses

In addition to compliance with any applicable requirements under the Listing Rules, the following measures will be adopted by the Company in connection with all future acquisitions and disposals of assets or businesses:

- The executive Directors will review the terms of the proposed acquisition or disposal and set out in a report to the independent non-executive Directors the details of the proposed terms, the reason to proceed or reject the proposed acquisition or disposal and if the executive Director recommends to proceed with the transaction, whether such transaction is in the best interests of the Company and the Shareholders as a whole.
- The independent non-executive Directors shall have 10 business days to review the report of the executive Directors and form their view as to whether to proceed with the transaction or not. In the event the independent non-executive Directors requires a further period of time to consider the report of the executive Directors for such further period of time as would be reasonably necessary in the circumstances provided that such extension of time is within the time period of 30 business days from the date when the independent non-executive Directors received the report for the executive Directors. The transaction may only be carried out if it is recommended by the independent non-executive Directors.

If appropriate, the independent non-executive Directors may appoint independent financial advisers at the expense of the Company to assist in the decision-making process in relation to such proposed acquisition or disposal.

The independent non-executive Directors complement each other with their range of experiences in different industry sectors and this enables them to offer advice to the Group from different commercial perspectives.

After the Listing, VTBM will be an associate of Sanyang and hence a connected person of the Company within the meaning of the Listing Rules. Any transaction between VTBM and any member of the Group will constitute a connected transaction (and, depending on its nature and size, a non-exempt continuing connected transaction) under the Listing Rules and be subject to the applicable announcement, reporting and independent shareholders' approval requirements under the Listing Rules. These requirements will provide the principal safeguard against any conflict of interest that may arise in respect of transactions between VTBM and the Group.