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

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

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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) REVISION OF ANNUAL CAP FOR
THE DISTRIBUTORSHIP AGREEMENT TRANSACTIONS;
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE MASTER SALES AGREEMENT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter from the Board (as defined herein) is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 16 of this circular. A letter from Altus Capital Limited as independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 36 of this circular.

A notice convening the EGM (as defined herein) of Vietnam Manufacturing and Export Processing (Holdings) Limited to be held physically at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Thursday, 27 June 2024 at 10:30 a.m. (or immediately after the conclusion or adjournment of the AGM) is set out on pages 41 to 42 of this circular. A form of proxy for use by the Independent Shareholders at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for holding of the EGM (i.e. before 10:30 a.m. on Tuesday, 25 June 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held physically at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Thursday, 27 June 2024 at 10:00 a.m. or where the context so permits, any adjournment thereof
“Altus” or “Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) the Revised Annual Cap under the Distributorship Agreement; and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap
“Announcement”	the announcement of the Company dated 3 December 2021 in relation to, among others, the Distributorship Agreement
“Annual Cap”	the aggregate annual value of the Master Sales Agreement Transactions for the financial year ending 31 December 2024 proposed by the Board
“Board”	the board of Directors
“Company”	Vietnam Manufacturing and Export Processing (Holdings) Limited (越南製造加工出口(控股)有限公司), an exempted with limited liability company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Distributorship Agreement”	the agreement dated 3 December 2021 entered into between the Company and Sanyang in relation to the exclusive distribution by the Group of motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes)
“Distributorship Agreement Transactions”	the transactions under the Distributorship Agreement

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held physically at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Thursday, 27 June 2024 at 10:30 a.m. (or immediately after the conclusion or adjournment of the AGM) to consider, and if thought fit, to approve (i) the Revised Annual Cap under the Distributorship Agreement; and (ii) transactions contemplated under the Master Sales Agreement and the related Annual Cap
“Exclusive Territory”	all of the member countries of the Association of South East Asian Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong Dollar, being the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board which comprises all independent non-executive Directors and was established to advise the Independent Shareholders on (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions to be proposed at the EGM under the articles of association of the Company and the Listing Rules
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company or its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	14 May 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Master Sales Agreement”	the agreement dated 13 March 2024 entered into between the Company and Sanyang in relation to, among others, the supply of the Products by the Group to the Sanyang Group
“Master Sales Agreement Transactions”	the transactions contemplated under the Master Sales Agreement

DEFINITIONS

“Original Annual Cap”	the annual cap for the year ending 31 December 2024 for the Distributorship Agreement in the amount of US\$5,300,000
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
“Products”	motorbike and/or any other products manufactured by the Group or purchased by the Group from Independent Third Parties from time to time (including products in connection with the use and maintenance of motorbikes)
“Revised Annual Cap”	the revised annual cap proposed by the Board for the year ending 31 December 2024 for the Distributorship Agreement in the amount of US\$19,000,000
“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, which is the ultimate controlling Shareholder of the Company
“Sanyang Group”	Sanyang, its subsidiaries and associates from time to time (excluding the Group)
“Services”	all services provided by the Group from time to time in connection with the supply of the Products, including but not limited to motorbike maintenance services and warranty services
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SYI”	SY International Ltd., a company incorporated in Samoa with limited liability and a direct controlling shareholder of the Company
“US\$”	United States Dollars, being the lawful currency of the United States
“VMEP”	Vietnam Manufacturing and Export Processing Co., Ltd, a company incorporated in Vietnam and a direct wholly-owned subsidiary of the Company
“%”	per cent

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

LETTER FROM THE BOARD



Vietnam Manufacturing and Export Processing (Holdings) Limited

越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

Executive Directors:

Mr. Liu Wu Hsiung (*Chairman*)

Ms. Wu Jui Chiao

Mr. Lin Chun Yu

Non-executive Directors:

Ms. Wu Li Chu

Mr. Chen Hsu Pin

Mr. Liu Ju Cheng

Independent non-executive Directors:

Ms. Lin Ching Ching

Mr. Cheung On Kit Andrew

Ms. Wu Hui Lan

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, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai,

Hong Kong

17 May 2024

To the Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAP FOR
THE DISTRIBUTORSHIP AGREEMENT TRANSACTIONS;
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE MASTER SALES AGREEMENT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 13 March 2024 in which the Company announced, among others, that:

- (i) as the Board expects that the Original Annual Cap will not be sufficient for the Group's expected production and sales volume of motorbikes for the year ending 31 December 2024, the Board proposes to revise the Original Annual Cap to the Revised Annual Cap for the year ending 31 December 2024, being US\$19,000,000, for the Distributorship Agreement in relation to the distribution of certain motorbikes and related parts manufactured by the Sanyang Group;

LETTER FROM THE BOARD

- (ii) on 13 March 2024, the Company (on behalf of each member of the Group) entered into the Master Sales Agreement with Sanyang (on behalf of each member of the Sanyang Group), pursuant to which the Company (on behalf of each member of the Group) has agreed to supply to the Sanyang Group the Products (being motorbikes and/or any other products manufactured by the Group or purchased by the Group from Independent Third Parties from time to time (including products in connection with the use and maintenance of motorbikes)), on a non-exclusive basis, and provide the Services (being all services provided by the Group from time to time in connection with the supply of the Products, including but not limited to motorbike maintenance services and warranty services) to the Sanyang Group.

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in respect of (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap. Altus has been appointed by the Company as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the above matters.

The purpose of this circular is to provide you with details of (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap, and to seek your approval of the ordinary resolutions set out in the notice of the EGM on pages 41 to 42 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap, is set out on page 16 of this circular. The letter from Altus to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap, is set out on pages 17 to 36 of this circular.

REVISION OF ANNUAL CAP FOR THE DISTRIBUTORSHIP AGREEMENT TRANSACTIONS

Background

Distributorship Agreement

Date: 3 December 2021

Parties: (a) the Company (on behalf of the members of the Group) as the distributor; and
(b) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the supplier

Term: 1 January 2022 to 31 December 2024

LETTER FROM THE BOARD

Major terms and pricing terms of the Distributorship Agreement

Under the Distributorship Agreement, the Group acts as the exclusive distributor of certain motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (except in the case of Vietnam, the Company will only be entitled to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions). The Group only purchases products from the Sanyang Group when confirmed customer orders are received and the motorbikes to be distributed are restricted to those models which the Group does not produce. The Sanyang Group sells such products to the Group at a price that is at least 3.5% lower than the indicative sales price of such products proposed to be sold by the Group to independent end-customers. The Group shall pay for all purchases made under the Distributorship Agreement in cash within 30 to 90 days (as the case may be) after the date of the invoice unless the relevant parties determined otherwise in the relevant purchase order.

Reasons and benefits for the Distributorship Agreement

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

Historical Transaction Amounts and Proposed Revision of Annual Cap

Historical transaction amounts of the Distributorship Agreement Transactions

The table below sets out (i) the historical transaction amounts of the Distributorship Agreement Transactions; and (ii) the original annual caps for the Distributorship Agreement, for the three years ended 31 December 2021, 2022 and 2023, and the three months ended 31 March 2024:

	For the following financial years/period ended:			
	31 December 2021 <i>(in US\$'000)</i>	31 December 2022 <i>(in US\$'000)</i>	31 December 2023 <i>(in US\$'000)</i>	31 March 2024 <i>(in US\$'000)</i>
Historical transaction amounts between the Group and the Sanyang Group	3,848.3 (audited)	3,615.5 (audited)	3,628.2 (audited)	1,420.1 (unaudited)
Original annual caps	15,187.0 ^(Note 1)	5,530.0	5,410.0	5,300.0 ^(Note 2)

Note 1: Represents the annual cap under the previous distributorship agreement dated 12 November 2018 entered into between the Company and Sanyang in relation to the exclusive distribution by the Group of motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes), which expired on 31 December 2021.

Note 2: Represents the Original Annual Cap for the year ending 31 December 2024.

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The actual transaction amounts of the Distributorship Agreement Transactions for the three years ended 31 December 2021, 2022 and 2023 had not exceeded the respective original annual caps for the relevant years. The actual transaction amount of the Distributorship Agreement Transactions for the first three months of 2024 and up to the Latest Practicable Date had not exceeded the Original Annual Cap for the year ending 31 December 2024.

Proposed revision of the Original Annual Cap under the Distributorship Agreement and the basis of determination

The Sanyang Group has launched two new models of motorbike, namely the HUSKY 150 model and the MAXSYM TL 508 model in April 2024. The HUSKY 150 model is an adventure motorbike featuring a large fuel tank for long range travelling, digital display, all-LED lighting and keyless start function, and the MAXSYM TL 508 model is a sport-touring motorbike featuring a design concept based on supercars, with all-LED lighting, a twin-cylinder eight-valve water-cooled 508c.c. engine and a traction control system. As agreed with the Sanyang Group, the Group expects to commence the distribution of such motorbikes (being relatively mid to high-end models, and in particular, the MAXSYM TL 508 model, which is considered a premium model with functions more advanced than majority of motorbike models in the market) under the Distributorship Agreement so as to meet the demands from customers in Malaysia and thereby increasing the Group's market share, and at the same time, to further broaden the revenue stream and increase profit attributable to the motorbike distribution business.

The Board therefore proposes to revise the Original Annual Cap in respect of the Distributorship Agreement as follows to reflect the expected increase of such purchase amounts:

	Original Annual Cap (for the financial year ending) (in US\$'000)	Revised Annual Cap (for the financial year ending) (in US\$'000)
31 December 2024	5,300	19,000

In addition to the basis for determination of the Original Annual Cap as disclosed in the Announcement, the Revised Annual Cap has been determined by the Board based on the historical transaction amounts of the Distributorship Agreement Transactions and expected growth and expansion of the Company's sales of relevant motorbikes for the year ending 31 December 2024, taking into account the following factors:

- (i) the Original Annual Cap for the year ending 31 December 2024;
- (ii) historical growth rates of the transaction amounts of the Distributorship Agreement Transactions;

LETTER FROM THE BOARD

- (iii) the confirmed purchase orders of the models of motorbike with engine capacities of above 125c.c. (including but not limited to the HUSKY 150 model and the MAXSYM TL 508 model motorbikes, being the two new models of motorbike which have been launched in April 2024 and the revenue from which is estimated to account for 84.8% of the total revenue from all confirmed purchase orders) in the Exclusive Territory to date for the year ending 31 December 2024;
- (iv) the confirmed purchase orders of the models of motorbike with engine capacities of 125c.c. or below in the Exclusive Territory to date for the year ending 31 December 2024;
- (v) the prices of the HUSKY 150 model and the MAXSYM TL 508 model motorbikes (with the MAXSYM TL 508 model being approximately 3 times higher than bikes of a standard model);
- (vi) the change in the estimated sales of and the projected and/or targeted demand for the models of motorbike with engine capacities of above 125c.c. (including but not limited to the HUSKY 150 model and the MAXSYM TL 508 model motorbikes, being the two new models of motorbike which have been launched in April 2024) for the year ending 31 December 2024, from approximately 480 units of motorbikes at the time when the Original Annual Cap was proposed to approximately 9,700 units of motorbikes under the latest estimation, in view of the customer appeal of the two new models of motorbike as noted from discussions with other market players; and
- (vii) the change in the estimated sales of and the projected and/or targeted demand for the models of motorbike with engine capacities of 125c.c. or below for the year ending 31 December 2024, from approximately 640 units of motorbikes at the time when the Original Annual Cap was proposed to approximately 2,000 units of motorbikes under the latest estimation, in view of the changes in market trends and customer preferences.

The respective transaction amounts for (a) the HUSKY 150 model and the MAXSYM TL 508 model motorbikes; (b) the existing models of motorbikes (exclusive of the HUSKY 150 model and the MAXSYM TL 508 model motorbikes); and (c) motorbike parts, are expected to account for approximately 81.2%, 9.7% and 9.1% of the Revised Annual Cap, respectively.

Save for the revision to the Original Annual Cap for the year ending 31 December 2024, other terms of the Distributorship Agreement, including but not limited to the internal control measures, remain unchanged.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MASTER SALES AGREEMENT

Background

Master Sales Agreement

Date: 13 March 2024

Parties: (a) the Company (on behalf of the members of the Group) as the supplier; and
(b) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the purchaser

Term: 13 March 2024 to 31 December 2024

Major terms and pricing terms of the Master Sales Agreement

Under the Master Sales Agreement, the Company (on behalf of each member of the Group) has agreed to supply to the Sanyang Group the Products and the Services. The Sanyang Group may from time to time purchase Products and Services from the Group. If the Sanyang Group places a purchase order for any Product and/or Services with the Group and such purchase order is accepted by the Group, the Group shall supply the Sanyang Group Company with such Product and/or Services in accordance with the terms of the Master Sales Agreement and the relevant purchase order.

The price of supplying the Products and Services to members of the Sanyang Group shall be no less favourable to the Group than the price charged by the Group to customers who are Independent Third Parties for the sale of the same, substantially similar or comparable levels or categories or types (where applicable) of such products.

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

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

LETTER FROM THE BOARD

Reasons and benefits for the Master Sales Agreement

In terms of the export of motorbikes, the Group mainly exports motorbikes to member countries of the Association of South East Asian Nations, including Malaysia, the Philippines, Singapore and Thailand.

The Sanyang Group is a well-established manufacturer, supplier and distributor of motorbikes and related parts internationally. Taking into account the Sanyang Group's relevant experience in selling motorbikes to retailers in the European markets which the Group has yet to establish a major presence and the established business relationship with the Group from which the Sanyang Group gained profound understanding of the Group's products, and distribution needs, the Board considers the Sanyang Group a long term business partner and thus it is efficient to supply the Products to the Sanyang Group to establish market presence in European markets, as well as to capture and respond to anticipated market demands.

The Sanyang Group shall purchase the Products for its onwards distribution to retailers in territories in respect of which the Group has not established direct sales and export channels, being mainly European countries. The motorbike models intended to be sourced from the Group by the Sanyang Group include but are not limited to JET series and FUGUE series, manufactured by VMEP. The Sanyang Group may also source other motorbike models from the Group from time to time when required.

Through the Sanyang Group's onwards distribution of specific models of motorbikes manufactured by the Group, the Group can leverage on the customer base and expertise of the Sanyang Group as a gateway and platform for capturing and expanding its own customer reach and sales opportunities, especially in the European markets, increasing its market shares and promoting its corporate and brand recognition. The Group is also not restricted from engaging further purchasers or distributors other than Sanyang Group to sell or distribute motorbikes manufactured by the Group or selling the Group's motorbikes directly to end-customers directly, and can thereby continue to expand its customer base and expand its market presence.

INTERNAL CONTROL MEASURES

The Company has established internal control measures to ensure that the Master Sales Agreement Transactions are in accordance with the pricing policies and the terms of the Master Sales Agreement, and that the price of the Products and the Services to be sold to the Sanyang Group are on normal commercial terms and on terms no less favourable to the Group than those terms offered by the Group to Independent Third Parties for similar products and/or services. Such internal control measures employed by the Group include the following:

LETTER FROM THE BOARD

- (i) the sales department of the Company shall submit to the finance department of the Company all the purchase orders under the Master Sales Agreement (the “**Purchase Order(s)**”) for review and approval, and the finance department of the Company shall ensure the terms, including but not limited to the selling price and settlement terms, are in compliance with the Master Sales Agreement, and in this connection it must be satisfied that (i) the pricing policies and internal procedures adopted by the Company have been fully complied with; (ii) each transaction thereunder are on normal commercial terms or better; and (iii) the selling price of the Product to the Sanyang Group is no less favourable to the Group than the price charged by the Group to customers who are Independent Third Parties for the sale of the same, substantially similar or comparable levels or categories or types (where applicable) of such products;
- (ii) to achieve effective comparison of the selling price as detailed in (i)(ii) above, the finance department of the Company will maintain a list of, among others, prices and settlement terms of products and services charged and offered by the Group to customers who are Independent Third Parties and to the Sanyang Group (the “**Comparison List**”) for cross-checking. As each specific model of motorbike is only sold to one other Independent Third Party customer, the Group will compare the prices and settlement terms of each type of product and service with reference to each of such customer;
- (iii) upon the satisfactory review and approval of the Purchase Orders by the finance department of the Company, the sales department of the Company shall submit, for the general manager’s approval, execution requests for the Purchase Orders, which shall include the selling price and settlement terms thereunder, together with the Comparison List;
- (iv) to perform checking on the transaction amounts to ensure that the actual selling prices of the Products are in accordance with the standard wholesale price list of the Products and the agreed sales terms pursuant to the Master Sales Agreement;
- (v) a monthly report will be prepared to check the accumulated selling amounts against the relevant annual cap for the period/financial year. In case the accumulated selling amount is about to reach the relevant annual cap, the Company will seek to revise the annual cap and re-comply with the requirements under Chapter 14A of the Listing Rules as appropriate; and
- (vi) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Master Sales Agreement Transactions in accordance with the Listing Rules requirements.

The Board considers that the above internal control measures could effectively ensure that the pricing and terms of the transactions contemplated under the relevant agreements are conducted on normal commercial terms, no less favourable to the Group than those terms offered by the Group to Independent Third Parties for similar products and/or services and in accordance with the pricing policy as agreed under the relevant agreements.

LETTER FROM THE BOARD

Historical Transaction Amounts and Proposed Annual Cap

Historical transaction amounts of the Master Sales Agreement Transactions

There has been no historical transaction in relation to the supply of the Products and provision of Services to the Sanyang Group by the Group.

Proposed Annual Cap for the Master Sales Agreement Transactions and the basis of determination

The Board proposes that the Annual Cap for the Master Sales Agreement Transactions for the year ending 31 December 2024 shall be US\$7,200,000.

The Annual Cap has been determined by the Board with reference to the expected purchase orders from the Sanyang Group based on the initial discussions and business plans discussed among the Group and the Sanyang Group, taking into account of the following factors:

- (i) a demand estimation for existing and new products in the year ending 31 December 2024, with the total estimated sales of both existing and new products being approximately 4,600 units at an average price of approximately US\$1,550 per unit (where the prices charged for the sales of motorbikes (and other relevant products where applicable) and the provision of relevant services have been taken into account in arriving at such average price) in view of (a) the launch of new products (and subsequent demand for relevant services) and the recovery of global economy and (b) the demand in European countries for the Group's existing core products (such as JET series and FUGUE series motorbikes) and relevant services;
- (ii) types and prices of motorbikes to be launched by the Group in the year ending 31 December 2024; and
- (iii) the Group's expected rising costs of manufacturing (and thereby resulting in the increase of approximately 9% in the average unit price of motorbikes manufactured by the Group, as compared to the average unit price of motorbikes for the year ending 31 December 2023) as a result of, among others, the constantly rising costs of raw materials (such as steel and rubber, the respective costs of which increased by 6.0% and 13.6% from the year ended 31 December 2023 to the three months ended 31 March 2024).

INFORMATION OF THE COMPANY, THE GROUP, SANYANG AND SANYANG GROUP

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

Sanyang, together with its subsidiaries, is principally engaged in the manufacturing of (i) motorbikes and related parts and (ii) motor cars, trucks and related parts. As at the Latest Practicable Date, Sanyang, through its wholly-owned subsidiary, SYI, held 608,818,000 issued ordinary shares of the Company (approximately 67.07% of the issued share capital of the Company).

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Sanyang, through its wholly-owned subsidiary, SYI, held approximately 67.07% of the issued share capital of the Company and thus, is an indirect controlling Shareholder. As Sanyang is an indirect controlling Shareholder and thus a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules, members of the Sanyang Group are also connected persons of the Company. Accordingly, each of (i) the Distributorship Agreement Transactions and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Revision of Annual Cap for the Distributorship Agreement Transactions

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the proposed annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Revised Annual Cap exceeds 5%, the Distributorship Agreement Transactions are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, the Revised Annual Cap is conditional on the approval by the Independent Shareholders being obtained at the EGM.

Continuing connected transactions in relation to the Master Sales Agreement

As the applicable percentage ratios in respect of the Annual Cap for the transactions contemplated under the Master Sales Agreement exceed 5%, the Master Sales Agreement Transactions are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD VIEWS

As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Liu Ju Cheng and Mr. Liu Wu Hsiung (all being Directors) has, or is deemed to have a 2.138%, 0.037% and 0.014% shareholding in Sanyang respectively. Ms. Wu Li Chu is the deputy vice chairperson of Sanyang and she serves as the directors of various subsidiaries of Sanyang. Mr. Chen Hsu Pin is the vice president of the president office of Sanyang and a director of various subsidiaries of Sanyang. Mr. Liu Ju Cheng is the manager of the overseas marketing sector of Sanyang. Therefore, pursuant to the articles of association of the Company and the Listing Rules, Ms. Wu Li Chu, Mr. Liu Ju Cheng, Mr. Liu Wu Hsiung and Mr. Chen Hsu Pin (together, the "**Abstained Directors**") had abstained from voting in the Board meeting to approve (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap, due to the aforesaid overlapping of roles and/or shareholding interests in Sanyang. Save as mentioned above, no other Directors were in any way materially interested in and therefore have abstained from voting in the Board meeting approving (i) the Revised Annual Cap under the Distributorship Agreement; and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap.

LETTER FROM THE BOARD

Revision of Annual Cap for the Distributorship Agreement Transactions

The Directors (excluding the Abstained Directors, and the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 16 of this circular) consider that the Distributorship Agreement has been and will continue to be carried out in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of such transactions and the Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Continuing connected transactions in relation to the Master Sales Agreement

The Group shall continue to monitor and ensure that the purchase price of the Products and the Services offered to the Sanyang Group are on normal commercial terms and on terms no less favourable to the Group than those terms offered by the Group to Independent Third Parties for similar products and/or services, as set out in the paragraph headed “Internal Control Measures” above.

The Directors (excluding the Abstained Directors, and the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 16 of this circular) consider that the Master Sales Agreement Transactions will be carried out in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of such transactions and the Annual Cap have been reached after arm’s length negotiations among the parties, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EGM

A notice convening the EGM is set out on pages 41 to 42 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve (i) the Revised Annual Cap under the Distributorship Agreement; and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong and in any event not later than 48 hours before the time fixed for holding of the EGM (i.e. before 10:30 a.m. on Tuesday, 25 June 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

For determining the entitlement to attend and vote in the EGM, the register of members of the Company will be closed from Monday, 24 June 2024 to Thursday, 27 June 2024 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the attendance of the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 21 June 2024. Shareholders whose names are recorded in the register of members of the Company on 27 June 2024 are entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

The ordinary resolutions to be proposed at the EGM will be determined by way of poll by the Independent Shareholders. Sanyang, the ultimate controlling shareholder, through its wholly-owned subsidiary, SYI, was interested in 608,818,000 shares of the Company (representing approximately 67.07% of the total issued share capital of the Company) at the Latest Practicable Date. Therefore, Sanyang and SYI are required to abstain from voting on the resolutions in respect of (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap, at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the resolutions in respect of (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap, at the EGM.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of Altus, is of the opinion that (i) the Revised Annual Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Master Sales Agreement Transactions have been entered into in the ordinary and usual course of the business of the Group and are based on normal commercial terms; and (iii) the terms of the Master Sales Agreement Transactions and the related Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap, at the EGM.

GENERAL

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

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



Vietnam Manufacturing and Export Processing (Holdings) Limited
越南製造加工出口(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 422)

17 May 2024

Dear Independent Shareholders,

**REVISION OF ANNUAL CAP FOR
THE DISTRIBUTORSHIP AGREEMENT TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE MASTER SALES AGREEMENT**

We refer to the circular of the Company dated 17 May 2024 (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you in respect of the fairness and reasonableness of the Revised Annual Cap and the Master Sales Agreement Transactions. Altus has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the advice of Altus, including the basis of the Revised Annual Cap, the basis of the pricing of the Master Sales Agreement Transactions and the internal control measures adopted by the Group to ensure that the Master Sales Agreement Transactions are in accordance with the pricing policies and the terms of the Master Sales Agreement, we are of the opinion that (i) the Revised Annual Cap is fair and reasonable and in the interests of the Company and its Shareholders as a whole; (ii) the Master Sales Agreement Transactions have been entered into in the ordinary and usual course of the business of the Group and are based on normal commercial terms; and (iii) the Master Sales Agreement Transactions and the related Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve (i) the Revised Annual Cap under the Distributorship Agreement and (ii) the transactions contemplated under the Master Sales Agreement and the related Annual Cap, at the EGM.

We also draw the attention of the Independent Shareholders to (i) the letter from the Board, (ii) the letter from Altus, and (iii) the appendix to the Circular.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Ms. Lin Ching Ching
*Independent non-executive
Director*

Mr. Cheung On Kit Andrew
*Independent non-executive
Director*

Ms. Wu Hui Lan
*Independent non-executive
Director*

LETTER FROM ALTUS

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of (1) the revision of annual cap for the Distributorship Agreement Transactions and (2) the Master Sales Agreement Transactions (including the proposed annual cap) which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

17 May 2024

To the Independent Board Committee and the Independent Shareholders
Vietnam Manufacturing and Export Processing (Holdings) Limited
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai
Hong Kong

Dear Sirs,

**(1) REVISION OF ANNUAL CAP
FOR THE DISTRIBUTORSHIP AGREEMENT TRANSACTIONS;
AND
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE MASTER SALES AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (1) the revision of annual cap for the Distributorship Agreement Transactions and (2) the Master Sales Agreement Transactions (including the proposed annual cap). Details are set out in the “Letter from the Board” contained in the circular dated 17 May 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

Revision of annual cap for the Distributorship Agreement Transactions

Reference is made to an announcement of the Company dated 3 December 2021 and the related circular of the Company dated 9 February 2022 in relation to, among other things, the Distributorship Agreement entered into between the Group and Sanyang Group. An extraordinary general meeting of the Company was held on 15 March 2022 and the then independent Shareholders approved, among other things, the continuing connected transactions contemplated under the Distributorship Agreement (including the proposed annual caps for each of the three years ending 31 December, 2022, 2023 and 2024).

LETTER FROM ALTUS

The Board expects that the Original Annual Cap will not be sufficient for the Group's expected production and sales volume of motorbikes for the year ending 31 December 2024. The Board therefore proposes to revise the Original Annual Cap to the Revised Annual Cap for the year ending 31 December 2024, being US\$19 million, for the Distributorship Agreement in relation to the distribution of certain motorbikes and related parts manufactured by Sanyang Group.

The Master Sales Agreement

On 13 March 2024, the Company (on behalf of each member of the Group) entered into the Master Sales Agreement with Sanyang (on behalf of each member of Sanyang Group), pursuant to which the Company (on behalf of each member of the Group) has agreed to supply to Sanyang Group motorbikes and/or any other products manufactured by the Group or purchased by the Group from Independent Third Parties from time to time (including products in connection with the use and maintenance of motorbikes), on a non-exclusive basis, and provide services to Sanyang Group from time to time in connection with the supply of such products, including but not limited to motorbike maintenance services and warranty services. Such transactions will be conducted between members of the Group and members of Sanyang Group.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Sanyang, through its wholly-owned subsidiary, SYI, held approximately 67.07% of the issued share capital of the Company and thus, is an indirect controlling Shareholder. As Sanyang is an indirect controlling shareholder of the Company and thus a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules, members of Sanyang Group are also connected persons of the Company. Accordingly, the transactions contemplated under the Distributorship Agreement and the Master Sales Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Revised Annual Cap for the Distribution Agreement Transactions

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the proposed annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Revised Annual Cap exceeds 5%, the Distributorship Agreement Transactions are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, the Revised Annual Cap is conditional upon approval by the Independent Shareholders being obtained at the EGM.

Continuing connected transactions in relation to the Master Sales Agreement

As the applicable percentage ratios in respect of the Annual Cap for the continuing connected transactions contemplated under the Master Sales Agreement exceeds 5%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, the terms of the continuing connected transactions contemplated under the Master Sales Agreement (including the Annual Cap) are conditional upon approval by the Independent Shareholders being obtained at the EGM.

LETTER FROM ALTUS

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Ms. Lin Ching Ching, Mr. Cheung On Kit Andrew and Ms. Wu Hui Lan, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the Revised Annual Cap is fair and reasonable; (ii) whether the terms and conditions of the Master Sales Agreement Transactions are on normal commercial terms and are fair and reasonable; (iii) whether the Master Sales Agreement Transactions will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (iv) whether the Annual Cap under the Master Sales Agreement is fair and reasonable; and (v) how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser.

INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Revised Annual Cap is fair and reasonable; (ii) whether the terms and conditions of the Master Sales Agreement Transactions are on normal commercial terms and are fair and reasonable; (iii) whether the Master Sales Agreement Transactions will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (iv) whether the Annual Cap under the Master Sales Agreement is fair and reasonable; and (v) how to vote at the EGM.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Revised Annual Cap and the Master Sales Agreement Transactions (including the Annual Cap) is at market level and not conditional upon successful passing of the resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling Shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Distributorship Agreement and the Master Sales Agreement; (ii) annual reports of the Company for the years ended 31 December 2022 and 2023 (the “**2022 Annual Report**” and the “**2023 Annual Report**”); and (iii) other information as set out in the Circular.

LETTER FROM ALTUS

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1.1 Principal activities of the Group and Sanyang Group

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

Sanyang Group is principally engaged in the manufacturing of motorbikes and related parts, as well as motor cars, trucks and related parts. As at the Latest Practicable Date, Sanyang, through its wholly-owned subsidiary, SYI, held 608,818,000 shares of the Company (approximately 67.07% of the issued share capital of the Company).

Given that the Group acts (i) as the exclusive distributor of certain motorbikes and related parts manufactured by Sanyang Group in the Exclusive Territory (except in the case of Vietnam, where the Company will only be entitled to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions); and (ii) on a non-exclusive basis to sell to Sanyang Group motorbikes and/or any other products manufactured by the Group or purchased by the Group from Independent Third Parties from time to time for Sanyang Group’s onwards distribution to retailers, it is within the ordinary and usual course of business of the Group.

LETTER FROM ALTUS

1.2 Operating results of the Group

Set out below is a summary of the operating results of the Group for each of the year ended 31 December 2022 and 2023 (the “**Review Period**”), as extracted from the 2022 Annual Report and the 2023 Annual Report, respectively.

	For the year ended 31 December	
	2022	2023
	US\$'000	US\$'000
	(audited)	(audited)
Revenue	132,899	105,148
Gross profit	13,558	15,490
Profit/(loss) for the year	(200)	1,686

Source: 2022 Annual Report and 2023 Annual Report

Year ended 31 December 2023 (“**FY2023**”) vs Year ended 31 December 2022 (“**FY2022**”)

Revenue for FY2023 decreased to US\$105.1 million from US\$132.9 million for FY2022, representing a decrease of US\$27.8 million or 20.9%. Such decrease was attributable to the restrained purchasing power of Vietnamese consumers and the weak consumer demand in Malaysia which in turn lowered the sales in the Vietnamese and Malaysian markets, as well as the aggressive competition from Japanese motorbike manufacturers in these markets.

The Group recorded a gross profit and gross profit margin of US\$14.5 million and 14.7% respectively in FY2023 as compared to a gross profit and gross profit margin of US\$13.6 million and 10.2% respectively in FY2022, representing an increase of US\$1.9 million in gross profit and 4.5 percentage points in gross profit margin. Such increase was due to the Group’s (i) flexible procurement process which in turn helped to stabilise production costs, (ii) optimise product sales structure, (iii) strengthen sales strategies, and (iv) expansion to the European and Middle Eastern markets.

In view of the above, the Group recorded a net profit of US\$1.7 million for FY2023, which was an improvement by US\$1.9 million, as compared to the net loss of US\$0.2 million for FY2022.

1.3 Prospects of the Group

In 2024, the Management anticipates that the availability of both global and local raw materials, energy, and packaging materials will remain constrained, exerting upward pressure on prices. Consequently, the Group intends to adapt its procurement strategy by adopting a more agile and diversified approach to sourcing raw materials and components. This proactive measure aims to mitigate the impact of fluctuating costs on production expenses and optimise operational efficiency.

LETTER FROM ALTUS

The Group also aims to bolster its brand presence through heightened advertising efforts while intensifying market promotion initiatives. Additionally, it plans to introduce new or modified motorcycle models tailored for the Vietnamese, ASEAN, European, and Middle Eastern markets, encompassing scooters and cubs, thereby enhancing product diversity. Furthermore, it intends to extend the geographical reach of its sales and service centers, enhancing accessibility to superior product repair and maintenance services, thus fostering stronger brand loyalty among customers.

2. Background and principal terms of the Distributorship Agreement

As set out in the “Letter from the Board” of the Circular, the Group entered into the Distributorship Agreement on 3 December 2021 with Sanyang Group and such agreement will expire on 31 December 2024.

2.1 Major terms and pricing

Under the Distributorship Agreement, the Group acts as the exclusive distributor of certain motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (except in the case of Vietnam, the Company will only be entitled to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions). The Group only purchases products from Sanyang Group when confirmed customer orders are received and the motorbikes to be distributed are restricted to those models which the Group does not produce.

Sanyang Group sells such products to the Group at a price that is at least 3.5% lower than the indicative sales price of such products proposed to be sold by the Group to independent end-customers.

The Group shall pay for all purchases made under the Distributorship Agreement in cash within 30 to 90 days (as the case may be) after the date of the invoice unless the relevant parties determined otherwise in the relevant purchase order.

Save for the Revised Annual Cap, the terms of the Distributorship Agreement remain unchanged.

In relation to the above, we have reviewed five randomly selected sample purchase orders and purchase invoices (and related sales invoices) for each of FY2022 and FY2023 entered into between (i) the Group and Sanyang Group in respect of the distribution of “SYM” brand motorbikes; and (ii) the Group and Independent Third Party suppliers, in respect of “SYM” brand motorbikes during each of FY2022 and FY2023, and noted that thereunder:

- (i) The 3.5% minimum profit guaranteed for the Group under the distributorship had been achieved.
- (ii) The terms of the Distributorship Agreement had been generally complied with.

Considering the large number of transactions under the Distributorship Agreement, and given that the samples were randomly selected, we are of the view that such approach is practical and the selected samples are sufficient for the purpose.

LETTER FROM ALTUS

In addition, the abovementioned sample purchase orders/purchase invoices (as described above) supported the major terms and pricing policy of the Distributorship Agreement had been consistently adhered to during each of FY2022 and FY2023.

We have discussed with the Management and noted that the 3.5% margin was able to cover the administrative and operating expenses attributable to the distributorship operations of the Group. We have obtained and reviewed the monthly sales data of those products manufactured by Sanyang Group and compared that with the related costs incurred by the Group under the Distributorship Agreement for the years ended 31 December 2022 and 2023 and noted that the margin derived from the aforesaid sales and related costs exceeded 3.5%. As a result, we are of the view that the 3.5% margin is sufficient to cover the related costs. In addition, we have observed from the historical transactions and compared the purchase prices of motorbikes from Sanyang Group under the Distributorship Agreement with the prices of motorbikes sold to the Group's independent distributors, all have recorded a modest variance exceeding 3.5%. This positive variance is attributable to the acceptance of the prices offered by the Group by its distributors, consequently allowing the Group to benefit from the price differential. Taking into account the above, the Management believes and we concur that the minimum guaranteed profit of at least 3.5% is fair and reasonable.

As the sample invoices supported that the major terms and pricing policy of the Distributorship Agreement had been consistently adhered to during each of FY2022 and FY2023, we are of the view that the terms of the Distributorship Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2.2 Internal control

We have obtained and reviewed that Group's internal control procedures and noted that the compliance team of the Group will monitor connected transactions with an emphasis on, among other, (i) maintenance of a list of connected persons and connected transactions; (ii) identifying connected transactions with the assistance of various departments and external advisers; (iii) analysis on aggregating connected transactions and managing any aggregated transaction amounts; and (iv) monitoring utilisation of annual caps of continuing connected transactions on a monthly basis.

We have, for the purpose of the Revised Annual Cap, checked all (21) purchase orders and purchases invoices placed during the three months ended 31 March 2024 and cross-checked the pricing against the corresponding sales invoices. We noted that that pricing mechanism had been adhered to under the Distributorship Agreement.

In view of the above, we are of the view that the Group's internal control measures in relation to the continuing connected transactions contemplated under the Distributorship Agreement and the monitoring of the annual caps is effective and sufficient.

LETTER FROM ALTUS

2.3 *Reasons for and benefits of the Distributorship Agreement*

Through distribution of specific models of motorbikes and related parts manufactured by Sanyang Group (which model the Group does not produce) in the Exclusive Territory, the Group can retain the end-customers in the Exclusive Territory who purchase specific models of motorbike manufactured by Sanyang Group. The Group may leverage on the customer base of Sanyang Group as a gateway for expanding its own customer base within the Exclusive Territory, increasing its market shares and promoting its corporate and brand recognition.

The pricing basis as agreed under the Distributorship Agreement also ensures that the Group will have a minimum guaranteed profit of at least 3.5% of the sales price on each product the Group distributes or re-sells to end-customers in the Exclusive Territory.

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

2.4 *Revised Annual Cap*

(i) Existing annual caps and historical transaction amount

Below is a table setting out the existing annual caps under the Distributorship Agreement, and the historical transaction amount recorded for each of FY2022 and FY2023.

	For the year ended/ending 31 December		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Existing annual cap	5,530	5,410	5,300
Historical transaction amount	3,615.5	3,628.2	1,420 (Note)
Utilisation rate	65.4%	67.1%	26.8% (Note)

Note: Up to the 3 months ended 31 March 2024

As shown in the table above, the Group utilised approximately 65.4% and 67.1% of the 2022 annual cap and 2023 annual cap respectively.

LETTER FROM ALTUS

We have discussed with the Management and noted that the under-utilisation of the annual cap for each of FY2022 and FY2023 was attributable to the combination of the following factors:

- a. the economic uncertainties; including worsening inflation and soaring interest rates, had raised serious concerns about the purchasing power of ASEAN countries, such as, the significant depreciation of the Malaysian Ringgits against US dollars and the unfavourable impact of foreign exchange transactions had slowed down the willingness of distributors in Malaysia to import¹; and
- b. the fierce competition faced by the Group in the ASEAN markets as the Japanese motorbike manufacturers kept on expanding their promotional efforts to squeeze out the sales space of other motorbike brands,

all of which were not anticipated when preparing the original annual caps under the Distributorship Agreement. Despite facing such challenging conditions, the Group was able to maintain its transaction amount at approximately US\$3.6 million for each of the year ended 31 December 2022 and 2023.

As the Group continued to intensify its market promotion initiatives, the Group recorded transaction amount for the three months ended 31 March 2024 of approximately US\$1.4 million, achieving approximately 26.8% of the Original Annual Cap. Simply by annualising the utilisation rate of the transaction amount for the three months ended 31 March 2024, the Original Annual Cap of US\$5.3 million will be exceeded. Accordingly, we concur with the Management that there is a need to revise the Original Annual Cap.

(ii) Revised Annual Cap

Below is a table setting out the Original Annual Cap and the Revised Annual Cap.

	Original Annual Cap (for the financial year ending) <i>US\$'000</i>	Revised Annual Cap (for the financial year ending) <i>US\$'000</i>
For FY2024	5,300	19,000

¹ According to the International Monetary Fund published data (<https://www.imf.org/en/search?q=Malaysia%20real%20GDP%20annual%20percent%20growth%20&sort=relevancy>), Malaysia's real GDP growth annual percent growth fell from 8.7% in 2022 to 4% in 2023.

LETTER FROM ALTUS

We noted that the Revised Annual Cap has been determined by the Board based on the historical transaction amounts of the Distributorship Agreement and expected growth and expansion of the Company's sales of relevant motorbikes for FY2024, taking into account the following factors:

- a. the Original Annual Cap for FY2024 (including the basis of its determination);
- b. historical growth rates of the transaction amounts of the Distributorship Agreement;
- c. the confirmed and projected purchase orders of the models of motorbikes with engine capacities of above 125 cc (including but not limited to the HUSKY 150 model and the MAXSYM TL 508 model motorbikes, being the two new models of motorbikes which have been launched in April 2024) manufactured by Sanyang Group in the Exclusive Territory to date for FY2024;
- d. the confirmed and projected orders of the models of motorbikes with engine capacities of 125 cc or below in the Exclusive Territory to date for FY2024; and
- e. the prices of the HUSKY 150 model and the MAXSYM TL 508 model motorbikes (with the MAXSYM TL 508 model being approximately 3 times higher than bikes of a standard model); and the estimated sales of and the projected and/or targeted demand the HUSKY 150 model and the MAXSYM TL 508 model motorbikes for FY2024.

To assess the fairness and reasonableness of the Revised Annual Cap under the Distributorship Agreement, we have considered the following:

- (aa) The Original Annual Cap composition and the Revised Annual Cap composition

We noted that the Original Annual Cap of US\$5.3 million comprised of US\$3.1 million of product sales and US\$2.2 million of after-sales parts.

Under the Revised Annual Cap of US\$19.0 million, we noted that it is comprised of US\$17.3 million product sales and US\$1.7 million of after-sales parts.

Set out below is a breakdown of the number of motorbikes and types of motorbike expected to be sold under Original Annual Cap and the Revised Annual Cap.

	Original Annual Cap	Revised Annual Cap
Motorbikes with engine capacity 125 cc or below	640 units	2,000 units
Motorbikes with engine capacity above 125 cc	480 units	9,700 units
Total	1,120 units	11,700 units

LETTER FROM ALTUS

The US\$3.1 million expected transaction amount represented about 1,120 units of “SYM” brand motorbikes to be sold in Malaysia, of which 640 units having engine capacity of 125 cc or below and 480 units having engine capacity above 125 cc (mainly 150 cc). The US\$2.2 million transaction amount was estimated based on the (i) expected sales of the Group’s after-sales services; (ii) the expected procurement costs in relation to the parts; and (iii) the estimated percentage of parts that are required from Sanyang Group.

The US\$17.3 million expected transaction amount represented about 11,700 units of “SYM” brand motorbikes to be sold in Malaysia, the Philippines and Singapore.

We noted the major difference between the Revised Annual Cap and the Original Annual Cap consists of:

- (i) the potential sale of motorbikes having engine capacity of 125 cc or below are mainly for the Philippines market;
- (ii) the potential sale of motorbikes having engine capacity of above 125 cc are mainly for the Malaysia market; and
- (iii) the purchase prices of motorbikes having engine capacity of 125 cc or below and the other models are having engine capacity above 125 cc or above under the Revised Annual Cap are in general slightly higher than under the Original Annual Cap (due to newer models and bigger engine capacity).

We have compared the listed prices of the HUSKY 150 model and the MAXSYM TL 508 model motorbikes and the Group’s standard model and noted that the MAXSYM TL 508 model is approximately 3 times higher than bikes of a standard model.

We believe the Revised Annual Cap of US\$17.3 million is attributable to the combination of the following factors:

- (i) the product mix under the Revised Annual Cap is wider than the product mix under the Original Annual Cap;
- (ii) the expected number of units to be sold with engine capacity above 125 cc under the Revised Annual Cap increase substantially, due to the change in consumer preference as further explained below; and
- (iii) the expected purchase prices of the products under the Revised Annual Cap are higher than the expected purchase prices of the products under the Original Annual Cap due to more newer products (HUSKY 150 and the MAXSYM TL 508) and bigger engine capacity products.

LETTER FROM ALTUS

According to a report in February 2024 of the Philippines' Motorcycle Development Program Participants Association², the four active members sold 1.5 million units of motorbikes in 2023 and expect a 2% sales growth for 2024. In view of the size of the Philippines market (i.e. 1.5 million units in 2023) and the expected growth in 2024 (i.e. an expected total of 1.53 million units), we believe that selling less than 0.5% of the Philippines market of motorbikes by the Group to the Philippines market in 2024 is fair and reasonable.

According to the statistics from the Federation of Asia Motorcycles Industries³, about 540,000 units of motorbikes were sold in Malaysia in 2023. In view of the size of the Malaysia market, the presence of the Group in the Malaysian market for over 15 years, the business relationship with the local distributors and the local distributors' representation of their expected annual unit sales, we believe that selling less than 2% of the Malaysia market of motorbikes in 2024 is fair and reasonable.

We have compared the sales summary provided by the Group's Malaysian distributors and noted that among the sales pattern of existing products of the Group and other independent third-party brands available in the Malaysian market, models having engine capacity over 150 cc are more favourable by consumers.

We have observed from the expected purchase prices of motorbikes under the Revised Annual Cap and the then expected purchase prices of motorbikes under the Original Annual Cap, and noted that there exists a growing trend under the Revised Annual Cap. Accordingly, we are of the view that the expected purchase prices of the products under the Revised Annual Cap is fair and reasonable.

In view of the abovementioned change in consumer preference, an expansion of the market presence of the "SYM" brand products and the prices of motorbikes are higher due to newer and higher power models, we are of the view that there is a need for the Group to apply for the Revised Annual Cap.

² Based on the basic principles of the Philippines Motor Vehicle Development Program implemented by the Board of Investments of the Philippines, the four major motorcycle manufacturers and assemblers: Honda Philippines, Inc., Kawasaki Motors (Phils.), Corp., Norkis Trading Co., Inc and Suzuki Philippines, Inc. established in 1973 the predecessor of Motorcycle Development Program Participants Association with a mission to serve the needs of the industry stakeholders and stands firm in its commitments to provide safe and affordable mode of transportation to the Filipino riders. (<https://mdppa.com.ph>)

³ Federation of Asia Motorcycles Industries (FAMI), established in 1999, is a non-profit association currently comprising of seven motorcycle associations in Asia-that is from Indonesia, Japan, Malaysia, Philippines, Taiwan, Thailand and Vietnam. FAMI constantly promotes activities through consultation, coordination and cooperation initiatives with regard to motorcycle industry within the region. In 2006, FAMI became a member of the International Motorcycle Manufacturers Association (IMMA), the Geneva-based body that represents the motorcycle industry worldwide. (<https://www.fami-motorcycle.org/>)

LETTER FROM ALTUS

(bb) Projected transaction amount and orders on hand for the three months ended 31 March 2024

Despite the challenges faced by the ASEAN countries, the International Monetary Fund in October 2023 projected ASEAN⁴ countries' economic growth from 4.2% for 2023 to 4.5% for 2024. This further supports the Group's strategy to continue to expand its customer reach within the Exclusive Territory (such as Malaysia, the Philippines and Singapore).

Among the abovementioned US\$17.3 million projected transaction amount of product sales, the Group has sold and/or obtained confirmed orders for an aggregate transaction amount of US\$3.4 million (representing approximately 19.6% of the expected total transaction amount of US\$17.3 million for FY2024).

As to the US\$1.7 million projected transaction amount of after-sale service, the Management estimated such amount by reference to the projected product sales and the historical record. We have compared the historical transaction amounts of after sales service under the Distributorship Agreement and noted that such amount range between 7.0% to 12.8% of the transaction amount of product sales in FY2022 and FY2023 respectively. Although the transaction amount varies year-on-year and there is no specific pattern, since the projected transaction amount of US\$1.7 million after-sale service representing about 10% of the projected transaction amount of product sales (which is within the abovementioned historical range), we are of the view that such projected transaction amount for after-sale service is fair and reasonable.

In summary, the Group has achieved/expected to achieve a total of US\$3.4 million transaction amount up to the three months ended 31 March 2024, representing approximately 64.2% of the Original Annual Cap or 18.0% of the Revised Annual Cap. In addition, we have reviewed the indicative projected orders for FY2024 provided by the Group's distributors (who are all Independent Third Parties) which has been adhered to according to their plan, and in turn, provides a fair and reasonable basis for the Management to estimate transaction amount of product sales for FY2024.

On 31 January 2024, the US Federal Reserve left interest rate unchanged in its January 2024 Federal Open Market Committee meeting, which in turn, sent a message to the public that the pressure on worsening inflation is gradually easing and interest rates will less likely to continue to rise in the short-run, whereby consumer purchasing power momentum in the ASEAN countries is able to regain. The abovementioned indicative projected orders for FY2024 provided by the Group's distributors further supports that the consumer purchasing power momentum is resuming. We, therefore, are of the view that the Revised Annual Cap has taken into account such economic factor when determining the Revised Annual Cap for FY2024.

⁴ According to International Monetary Fund's definition in the October 2023 report, ASEAN includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.

LETTER FROM ALTUS

Taking into account the above, we are of the view that the Revised Annual Cap is fair and reasonable.

(cc) The historical growth rates of the transaction amounts of the Distributorship Agreement

Set out below are the transaction amount under the Distributorship Agreement over the past 10 years and their year-on-year percentage change:

Year ended 31 December	2012	2013	2014	2015	2016	2017
Transaction amount (US\$)	21,375,907	17,124,228	7,728,284	5,529,563	4,079,870	1,287,226
Year-on-year change (%)		-19.89	-54.87	-28.45	-26.22	-68.45
Year ended 31 December	2018	2019	2020	2021	2022	2023
Transaction amount (US\$)	2,637,616	2,304,048	2,523,287	3,848,310	3,615,488	3,628,229
Year-on-year change (%)	104.91	-12.65	9.52	52.51	-6.05	0.35

Source: Various annual reports of the Company

As shown in the table above, the data of which are extracted from various annual reports of the Company since 2012, we noted that the Group had achieved annual transaction amount of approximately US\$17 million and above in FY2012 and FY2013 respectively, though such transaction amount had shrunk over the years due to various reasons, such as the receptiveness of the Group's product mix, the selling prices of the Group's products and the impact on the economy of the ASEAN countries due to the pandemic (COVID-19). As the Group will enhance its brand presence as well as to expand its product diversity to suit customers' needs in ASEAN countries (as described in the section headed "1.3 Prospects of the Group") and by reference to the projected transaction amount and orders on hand for the three months ended 31 March 2024, the Management believes and we concur that it is fair and reasonable for the Management to project the transaction amount of US\$17.3 million when the Group had achieved the historical high transaction amounts of approximately US\$17.1 million in FY2013 and US\$21.4 million in FY2012 and the historic highest year-on-year growth rate of approximately 105.0% between FY2018 and FY2019 under the Distributorship Agreement.

After taking into account all the above factors, we are of the view that the Revised Annual Cap is fair and reasonable.

Shareholders should note that the Revised Annual Cap represent an estimate based on information currently available and that the actual utilisation and sufficiency of the Revised Annual Caps would depend on a number of factors. The Revised Annual Cap has no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

LETTER FROM ALTUS

3. Background and principal terms of the Master Sales Agreement

As described in the “Letter from the Board” of the Circular, the Master Sales Agreement is a framework agreement which provides the principles, mechanism and terms and conditions for the Group’s sell of motorbike for Sanyang Group. Individual sales orders will be entered into between the relevant members of the Group and Sanyang Group from time to time which will specify the types of motorbikes to be sold, price, delivery arrangements and any other terms which may be relevant to the sale of the motorbikes for Sanyang Group. The individual sales orders may only contain provision which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Sales Agreement.

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

3.1 Major terms and pricing

We noted that pursuant to the Master Sales Agreement, the price of supplying the Products and Services to members of Sanyang Group shall be no less favourable to the Group than the price charged by the Group to customers who are Independent Third Parties for the sale of the same, substantially similar or comparable levels or categories or types (where applicable) of such products. To ensure the price of supplying the Products and Services to members of Sanyang Group shall be no less favourable to the Group than the price charged by the Group to customers who are Independent Third Parties, please refer to the internal control procedures set out in the paragraph headed “3.4 Internal control procedures” below.

A credit period of 30 to 60 days (as the case may be) after the date of the invoice without interest shall be granted to Sanyang Group by the Group unless the relevant parties determined otherwise in the individual purchase orders.

In relation to the above major terms, we have reviewed 2 randomly selected samples for each of the 3 major product types (such products are motorbikes having engine capacity of 125 cc, 1 sample was transacted during FY2022 and the other samples were transacted during FY2023, which are similar to the product types to be exported under the Master Sales Agreement) placed with the Group by Independent Third Parties, and noted that thereunder:

- (i) The terms to be offered by the Group to Sanyang Group under the Master Sales Agreement will be similar to those offered by the Group to other Independent Third Party customers, namely pricing of the Products and Services, payment method and credit terms.
- (ii) The payment terms of the purchase orders between the Group and Sanyang Group under the Master Sales Agreement will be similar to those of the purchase orders/quotations made between the Group and other Independent Third Parties.

The credit term of the purchase orders (30 to 60 days) after the date of the invoice without interest between the Group and Sanyang Group are within the range of those of the purchase orders/quotations between the Group and other Independent Third Parties (within 60 days).

LETTER FROM ALTUS

Considering the large number of transactions under the export sales to Independent Third Parties, and given that the samples were randomly selected, we are of the view that such approach is practical and the selected samples are sufficient for the purpose. In view of the above, we consider the terms of the Master Sales Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3.2 Reasons for and benefits of the Master Sales Agreement

In terms of the export of motorbikes, the Group mainly exports motorbikes to member countries of the ASEAN, including Malaysia, the Philippines, Singapore and Thailand.

Sanyang Group is a well-established manufacturer, supplier and distributor of motorbikes and related parts internationally. It was established in 1954 with production centres located in Taiwan, Mainland China and Vietnam. Its products are distributed to 85 countries, covering Asia, Europe and South America. Sanyang Group has distributed its products in Europe for over 30 years and SYM brand successfully achieved a 10% market share in certain European countries, such as, Italy and Greece.

Taking into account Sanyang Group's relevant experience in selling motorbikes in the European markets whilst the Group has yet to establish a major presence and the established business relationship with the Group from which Sanyang Group gained profound understanding of the Group's products, and distribution needs, the Board considers Sanyang Group a long term business partner and thus it is efficient to supply the Products to Sanyang Group to establish market presence in European markets, as well as to capture and respond to anticipated market demands. In view of the aforesaid, we concur that it will be more cost efficient and effective than the Group to build up a brand new distribution network.

Sanyang Group shall purchase the Products for its onwards distribution to retailers in territories in respect of which the Group has not established direct sales and export channels, being mainly European countries. The motorbike models intended to be sourced from the Group by Sanyang Group include but are not limited to JET series and FUGUE series, manufactured by VMEP. Sanyang Group may also source other motorbike models from the Group from time to time when required. We noted from the Management that the Products are different from those products offered by Sanyang Group in the Euro area and the Products help to fill in the product range gap (in terms of the price range of the Products and the specific features (such as JET series with 14 inches wheel targeted at white-collar workers and Fugue series having a retro design targeted at female consumers)) offered by Sanyang Group in the Euro area.

Through Sanyang Group's onwards distribution of specific models of motorbikes manufactured by the Group, the Group can leverage on the customer base and expertise of Sanyang Group as a gateway and platform for capturing and expanding its own customer reach and sales opportunities, especially in the European markets, increasing its market shares and promoting its corporate and brand recognition. The Group is also not restricted from engaging further purchasers or distributors other than Sanyang Group to sell or distribute motorbikes manufactured by the Group or selling the Group's motorbikes directly to end-customers directly, and can thereby continue to expand its customer base and expand its market presence.

LETTER FROM ALTUS

Taking into account the principle activities of the Group and the reasons for and benefits of the Master Sales Agreement (which enable the Group to expand its customer reach and market presence cost effectively and efficiently), we are of the view that the Master Sales Agreement Transactions are in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

3.3 Proposed annual cap

(i) Historical transaction amount

There has been no historical transaction in relation to the supply of the Products and provision of Services to Sanyang Group by the Group.

(ii) Proposed annual cap

The Board proposes that the Annual Cap for the Continuing Connected Transactions for FY2024 shall be US\$7.2 million.

We noted that the Annual Cap has been determined by the Board with reference to the expected purchase orders from Sanyang Group based on the initial discussions and business plans discussed among the Group and Sanyang Group, taking into account of the following factors:

- a. a demand estimation for FY2024 in view of the launch of new products and the recovery of global economy, and the demand in European countries for the core products (such as JET series and FUGUE series motorbikes) of the Group and relevant services;
- b. types and prices of motorbikes to be launched by the Group in FY2024; and
- c. the Group's expected rising costs of manufacturing (and thereby resulting in the increase of approximately 9% in the average unit prices of motorbikes manufactured by the Group, as compared to the average unit prices of motorbikes for FY2023) as a result of, among others, the constantly rising costs of raw materials (such as steel and rubber, which increased from 6% as at the end of FY2023 to 13.6% as of the first quarter of 2024).

To assess the fairness and reasonableness of the Annual Cap under the Master Sales Agreement, we have considered the following:

(aa) Growth potential in markets other than ASEAN countries

The Group sold an aggregate of approximately 39,500 units (which was comprised of approximately 8,500 units of scooters and 31,000 units of cubs) in Vietnam for FY2023. The Group sold approximately 42,300 units of scooters and cubs by exporting to ASEAN countries and approximately 4,500 units of scooters and cubs by exporting to Europe and Middle East markets for FY2023.

LETTER FROM ALTUS

As mentioned in the 2023 Annual Report, the Group aggressively explored markets other than ASEAN countries, including Europe and Middle East markets. As the International Monetary Fund in October 2023 projected Euro area economic growth from 0.7% for 2023 to 1.2% for 2024 (which is a significant year-on-year leap), we concur with the Management that there is growth potential in the Euro area.

(bb) Projected transaction amount

We have reviewed the monthly projection provided by the Management. We noted that the expected purchase orders from Sanyang Group are based on the initial discussions and business plans discussed among the Group and Sanyang Group. We have also discussed with the Management about the production plan and launch programme of the Products as well as their expected prices.

During FY2023, the Group recorded sales of US\$3.2 million or about 2,250 units of motorbikes to the Euro area and South American markets (representing (i) an average of approximately US\$1,420 per unit, (ii) approximately 5.3% of the total sales of motorbikes manufactured by the Group for export during FY2023 and (iii) 5.0% of the total units of motorbikes manufactured by the Group for export during FY2023).

The Annual Cap of US\$7.2 million translates to about 4,600 units of motorbikes (at an average of approximately US\$1,550 per unit). The projection of 4,600 units of motorbikes exceeds historical sales to the Euro area and South American markets, which stood at 2,250 units, albeit achieved with limited resources. Notably, Sanyang Group possesses substantial experience and robust presence in selling motorbikes in the European markets, reinforcing our believe in the feasibility of the expected sales of about 4,600 units of motorbikes (which is 2 times the Group's historical sales in the Euro area) under the Master Sales Agreement.

Such 4,600 units of motorbikes with a transaction amount of US\$7.2 million are based on the estimated demand from Sanyang Group after arm's length negotiation with the Group. According to the 2023 annual report of Sanyang Group, its revenue was approximately NT\$64.4 billion (equivalent to approximately US\$2.0 billion). From the revenue perspective, we are of the view that for Sanyang Group to sell US\$7.2 million worth of motorbikes (representing approximately 0.4% of Sanyang Group's 2023 revenue) is feasible.

According to Sanyang Group, the Products fill their product range gap in the Euro area. In this respect, we are of the view that Sanyang Group has no reason or incentive to purchase motorbikes from the Group which may overlap their product range available in the Euro area.

LETTER FROM ALTUS

The average unit price of US\$1,550, which represents approximately 9% higher than the average unit price of US\$1,420 in 2023 as mentioned above, is attributed to escalating manufacturing cost. We have reviewed the historical prices of the major raw materials used by the Group for manufacturing purpose between 2020 to March 2024 and revealed prices for steel and rubber since end 2023 have gradually increased in the range of 6.0% to 13.6% in the first quarter of 2024. Consequently, the expected average unit price of US\$1,550, representing an increase of approximately 9% to the average unit price of US\$1,420 in 2023 (which is within the abovementioned range), is considered fair and reasonable.

Taking into account (i) the economic growth potential in the Euro area as mentioned above, (ii) the Group's historical sales of about 2,250 units of motorbikes to the Euro area and South American markets, albeit achieved with the Group's own and limited resources; (iii) Sanyang Group's relevant experience and presence in selling motorbikes in the European markets is stronger and deeper than the Group as mentioned above, which in turn, is feasible and reasonable to manage the sale of about 4,600 units of motorbikes (where the expected transaction amount of US\$7.2 million represents approximately 0.4% of Sanyang Group's revenue of 2023); and (iv) the average unit selling price of the motorbikes under the Master Sales Agreement is fair and reasonable, we are of the view that the Annual Cap is fair and reasonable.

Shareholders should note that the Annual Cap represents an estimate based on information currently available and that the actual utilisation and sufficiency of the Annual Cap would depend on a number of factors. The Annual Cap has no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

3.4 *Internal control measures*

Having reviewed the internal control measures employed by the Group to monitor the Master Sales Agreement Transactions, we noted that the Company shall proceed to carry out the Master Sales Agreement Transactions after conducting the following steps:

- (i) upon receiving a purchase order, sales department of the Company will notify the finance department of the Company of the terms of the transaction (including, but not limited to, the proposed selling price and settlement terms);
- (ii) finance department of the Company will cross check the proposed selling price and settlement terms with those offered to Independent Third Parties by reference to the Comparison List (as defined in the "Letter from the Board") to ensure that the proposed terms offered to the connected person are no less favourable to the Group than those terms offered by the Group to the Independent Third Parties; and
- (iii) upon receiving clearance by the finance department of the Company, the sales department of the Company will proceed to complete the relevant documents for the final approval by the general manager.

LETTER FROM ALTUS

In view of the abovementioned internal control procedures, we are of the view that there exist appropriate control to ensure the terms of the relevant agreement, and that the selling price of the Products and Services to Sanyang Group is no less favourable to the Group than the price charged by the Group to Independent Third Party customers for the sale of the same, substantially similar or comparable levels or categories or types of such products.

In addition, we understand from the Management that a monthly report will be prepared to check the accumulated selling amounts against the relevant annual cap for the period/financial year. In case the accumulated selling amount is about to reach the relevant annual cap, the Company will seek to revise the annual cap and re-comply with the requirements under Chapter 14A of the Listing Rules as appropriate; and the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Master Sales Agreement Transactions in accordance with the Listing Rules requirements.

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the Master Sales Agreement Transactions will be conducted on terms in compliance with the provisions of the Listing Rules.

RECOMMENDATIONS

Having considered the above principal factors, we are of the view that (i) Revised Annual Cap under the Distributorship Agreement Transactions has been fairly and reasonably arrived at; (ii) the terms and conditions of the transactions contemplated under the Master Sales Agreement are on normal commercial terms and are fair and reasonable; (iii) the Annual Cap under the Master Sales Agreement has been fairly and reasonably arrived at; and (iv) the Master Sales Agreement Transactions will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions approving (i) the Revised Annual Cap under the Distributorship Agreement Transactions and (ii) the Master Sales Agreement Transactions (including the Annual Cap) at the EGM.

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

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations

As at the Latest Practicable Date, the interests and short positions, of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix C3 of the Listing Rules which is adopted by the Company were as follows:

Name	Nature of interest	Name of corporation/ associated corporation	Types of shares/ underlying shares	Number of shares held ⁽¹⁾	Approximate percentage of interest in the share capital ⁽²⁾
Liu Wu Hsiung	Beneficial owner	Sanyang	Ordinary shares	111,380 (L)	0.014%
Wu Li Chu	Beneficial owner	Sanyang	Ordinary shares	17,046,560 (L)	2.138%
Liu Ju Cheng	Beneficial owner	Sanyang	Ordinary shares	4,000 (L)	0.001%
Liu Ju Cheng	Interest of spouse	Sanyang	Ordinary shares	295,000 (L)	0.037%

Notes:

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

(2) The calculation is based on the total number of 797,489,604 shares of Sanyang in issue as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directors' positions in substantial shareholders

As at the Latest Practicable Date, as disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, (1) SYI was interested in 608,818,000 Shares of the Company, representing approximately 67.07% of the total number of Shares of the Company in issue; and (2) Sanyang, being the direct sole shareholder of SYI, was deemed to be interested in the Shares held by SYI.

As at the Latest Practicable Date, Ms. Wu Li Chu is the deputy vice chairperson of Sanyang and she serves as the directors of various subsidiaries of Sanyang. Mr. Chen Hsu Pin is the vice president of the president office of Sanyang and a director of various subsidiaries of Sanyang. Mr. Liu Ju Cheng is the manager of the overseas marketing sector of Sanyang.

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

3. COMPETING BUSINESS INTERESTS OF DIRECTORS

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

4. QUALIFICATION

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

Name	Qualification
Altus Capital Limited (Independent Financial Adviser)	Altus Capital limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Altus did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus did not have any direct or indirect interest in any assets of the Group which had, since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. CONSENT

Altus has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear herein as of the Latest Practicable Date.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

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

8. MISCELLANEOUS

- (a) None of the Directors has entered into or is proposed to enter into a service contract with any member of the Group which does not expire or which is not determinable by such member of the Group within one year without payment of compensation, other than statutory compensation.
- (b) As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors nor Altus was beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and none of the Directors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the Distributorship Agreement and the Master Sales Agreement will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vmeph.com for a period of 14 days from the date of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “Company”) will be held physically at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Thursday, 27 June 2024 at 10:30 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company convened at the same venue and on the same day at 10:00 a.m.) for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** the proposed revised annual cap for the year ending 31 December 2024 (details of which have been set out in the circular of the Company dated 17 May 2024) in respect of the agreement dated 3 December 2021 entered into between the Company and Sanyang Motor Co., Ltd. (“Sanyang”) in relation to the exclusive distribution by the Company and its subsidiaries (together, the “Group”) of motorbikes and related parts manufactured by Sanyang and its subsidiaries (together, the “Sanyang Group”) in the exclusive territory be and are hereby approved, confirmed and ratified.”
2. “**THAT** the agreement dated 13 March 2024 entered into between the Company and Sanyang in relation to the supply of motorbike and/or any other products manufactured by the Group or purchased by the Group from independent third parties from time to time by the Group to the Sanyang Group, the transactions contemplated thereunder and the proposed annual cap for the year ending 31 December 2024 be and are hereby approved, confirmed and ratified.”

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

Hong Kong, 17 May 2024

NOTICE OF EXTRAORDINARY GENERAL MEETING

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, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Notes:

1. For determining the entitlement to attend and vote in the EGM, the register of members of the Company will be closed from Monday, 24 June 2024 to Thursday, 27 June 2024 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 June 2024.
2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or (if the member is a holder of two or more shares) more proxies to attend and, vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. The instrument appointing a proxy and the power of attorney or other document(s) of authorisation, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time fixed for holding of the EGM (i.e. before 10:30 a.m. on Tuesday, 25 June 2024) or any adjourned meeting thereof. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Sanyang, the ultimate controlling shareholder of the Company, its subsidiaries and associates (as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolutions.
5. The ordinary resolutions set out above will be determined by way of poll.
6. In the event of inconsistency, the English text of this notice shall prevail over the Chinese text.

As at the date of this notice, the board of directors of the Company comprised three executive directors, namely Mr. Liu Wu Hsiung, Ms. Wu Jui Chiao and Mr. Lin Chun Yu, three non-executive directors, namely Ms. Wu Li Chu, Mr. Chen Hsu Pin and Mr. Liu Ju Cheng and three independent non-executive directors, namely Ms. Lin Ching Ching, Mr. Cheung On Kit Andrew and Ms. Wu Hui Lan.