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

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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTION

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



CENTURION CORPORATE FINANCE LIMITED

A letter from the Board (as defined herein) is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 15 of this circular. A letter from Centurion Corporate Finance Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 32 of this circular.

A notice convening the EGM to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 19 July 2011 at 10:00 a.m. is set out on pages 37 to 38 of this circular.

Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the EGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting of the Company in person should you so wish.

21 June 2011

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DEFINITIONS

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

“%”	per cent.
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Centurion”	Centurion Corporate Finance Limited, a deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders
“Company” or “VMEPH”	Vietnam Manufacturing and Export Processing (Holdings) Limited (越南製造加工出口(控股)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Tuesday, 19 July 2011 at 10:00 a.m. to approve the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps
“Exclusive Territory”	all of the member countries of the Association of South East Asian Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
“Existing Continuing Connected Transactions”	transactions with terms as set out under VMEPH Distributorship Agreement, VMEPH Purchase Agreement and VMEPH VTBM Purchase Agreement
“Full Ta”	Hanoi Full Ta Precision Company Limited, a company incorporated in Vietnam which is a subsidiary of Sanyang
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful current of the Hong Kong Special Administrative Region

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, namely, Ms. Lin Ching Ching and Mr. Wei Sheng Huang, established for the purpose of advising the Independent Shareholders in respect of the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps
“Independent Shareholders”	Shareholders, except Sanyang and its associates, who are not required to abstain from voting on the resolution to be proposed at the EGM under the Listing Rules
“Independent Third Parties”	persons or entities who/which are not connected persons within the meaning of the Listing Rules and the articles of association of the Company
“Latest Practicable Date”	16 June 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing”	the listing of the Shares for trading on the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Revised Annual Caps for VMEPH Purchase Agreement”	the new revised annual cap amounts proposed by the Company in respect of the VMEPH Purchase Agreement, being US\$21,600,000 (equivalent to approximately HK\$168,480,000) and US\$25,200,000 (equivalent to approximately HK\$196,560,000) for the two years ending 31 December 2011 and 31 December 2012 respectively
“Original Annual Caps”	the Original Annual Caps for VMEPH Distributorship Agreement, Original Annual Caps for VMEPH Purchase Agreement and Original Annual Caps for VMEPH VTBM Purchase Agreement
“Original Annual Caps for VMEPH Distributorship Agreement”	the original annual cap amounts for the VMEPH Distributorship Agreement for the two years ending 31 December 2011 and 31 December 2012 respectively (as revised by the Company’s announcements dated 25 August 2010 and 20 August 2010)
“Original Annual Caps for VMEPH Purchase Agreement”	the original annual cap amounts for the VMEPH Purchase Agreement for the two years ending 31 December 2011 and 31 December 2012 respectively
“Original Annual Caps for VMEPH Sanyang Global Purchase Agreement”	the original annual cap amounts for the VMEPH Sanyang Global Purchase Agreement for the two years ending 31 December 2011 and 31 December 2012 respectively (as revised by the Company’s announcements dated 20 August 2010)

DEFINITIONS

“Original Annual Caps for VMEPH VTBM Purchase Agreement”	the original annual cap amounts for the VMEPH VTBM Purchase Agreement for the two years ending 31 December 2011 and 31 December 2012 respectively
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Taiwan, the Macau Special Administrative Region and Hong Kong
“Proposed Annual Caps”	proposed annual caps for the VMEPH Full Ta Purchase Agreement for the two years ending 31 December 2011 and 2012
“Revised Annual Caps”	Revised Annual Caps for VMEPH Distributorship Agreement, New Revised Annual Caps for VMEPH Purchase Agreement and Revised Annual Caps for VMEPH VTBM Purchase Agreement
“Revised Annual Caps for VMEPH Distributorship Agreement”	the revised annual cap amounts proposed by the Company in respect of the VMEPH Distributorship Agreement, being US\$13,000,000 (equivalent to approximately HK\$101,400,000) and US\$14,500,000 (equivalent to approximately HK\$113,100,000) for the two years ending 31 December 2011 and 31 December 2012 respectively
“Revised Annual Caps for VMEPH VTBM Purchase Agreement”	the revised annual cap amounts proposed by the Company in respect of the VMEPH VTBM Purchase Agreement, being US\$6,000,000 (equivalent to approximately HK\$46,800,000) and US\$7,000,000 (equivalent to approximately HK\$54,600,000) for the two years ending 31 December 2011 and 31 December 2012 respectively
“Sanyang”	三陽工業股份有限公司(Sanyang Industry Co., Limited), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation (and the ultimate controlling shareholder of the Company)
“Sanyang Global”	Sanyang Global Co., Ltd., a wholly-foreign owned entity incorporated in the PRC on 11 December 2007 and an indirect wholly-owned subsidiary of Sanyang
“Sanyang Group”	Sanyang and its subsidiaries from time to time (excluding the Group)
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Shares”	ordinary shares in the share capital of the Company with a nominal value of HK\$0.01 each

DEFINITIONS

“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given that term under section 2(4) of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“SYI”	SY International Ltd., a company incorporated in Samoa with limited liability and a direct controlling shareholder of the Company
“Three Brothers Taiwan”	Three Brothers Machinery Industry Company Limited, Taiwan, a company incorporated in Taiwan and a subsidiary of Sanyang
“US\$” or “US dollar”	United States dollars, the lawful currency of the United States of America
“VMEP”	Vietnam Manufacturing and Export Processing Co., Limited, a wholly-owned subsidiary of the Company
“VMEPH Distributorship Agreement”	the agreement dated 9 November 2009 and entered into between the Company and Sanyang in relation to the exclusive distribution by the Group of motorbikes and related parts manufactured by Sanyang Group in the Exclusive Territory (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes)
“VMEPH Full Ta Purchase Agreement”	the agreement dated 28 March 2011 entered into between the Company and Full Ta in relation to the supply of certain motorbike parts by Full Ta to the Company and the Group
“VMEPH Purchase Agreement”	the agreement dated 9 November 2009 entered into between the Company and Sanyang in relation to the Group purchasing certain motorbike parts from Sanyang
“VMEPH Sanyang Global Purchase Agreement”	the agreement dated 9 November 2009 entered into between the Company and Sanyang Global in relation to the purchase of motorbike parts by the Group from Sanyang Global
“VMEPH VTBM Purchase Agreement”	the agreement dated 9 November 2009 and entered into between the Company and VTBM in relation to the Group purchasing certain motorbike parts from VTBM for a consecutive term
“VTBM”	Vietnam Three Brothers Machinery Industry Co., Limited, a wholly foreign-invested enterprise incorporated in Vietnam on 5 September 2002 and a subsidiary of Sanyang

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

Executive Directors:

Mr. CHANG Kwang Hsiung (*Chairman*)
Mr. LOU Hen Wen
Mr. LEE Hsi Chun
Mr. WANG Ching Tung

Non-executive Directors:

Mr. CHIANG Shih Huang
Mr. LIU Wu Hsiung Harrison

Independent non-executive Directors:

Ms. LIN Ching Ching
Mr. WEI Sheng Huang

Registered Office:

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

*Principal Place of Business
in Hong Kong:*

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

21 June 2011

To the Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcements of the Company dated 28 March 2011 and 3 June 2011 respectively regarding, among others, the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps.

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps. Centurion has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

LETTER FROM THE BOARD

BACKGROUND

The Existing Continuing Connected Transactions

With the continued development of the Group's business operations, recent appreciation in value of Asian currencies, increase in raw material costs, and expected increase in demand for the Group's products based on internal estimates, the Company expects that the Original Annual Caps which had previously been set for the Existing Continuing Connected Transactions for the two years ending 31 December 2011 and 31 December 2012, respectively would be exceeded. The Board therefore proposes to revise the Original Annual Caps in relation to the VMEPH Distributorship Agreement, the VMEPH Purchase Agreement and the VMEPH VTBM Purchase Agreement for those two years.

As stated in its announcement dated 28 March 2011, the Company proposed to revise the Original Annual Caps for the VMEPH Sanyang Global Purchase Agreement for the two years ending 31 December 2011 and 2012 of US\$9,500,000 and US\$10,000,000, respectively to the revised annual caps of US\$12,500,000 and US\$14,000,000, respectively. Since the date of the announcement, the Company had given further consideration to the projected business trends of the Company and its estimated requirements for the motorbike parts being supplied under the VMEPH Sanyang Global Purchase Agreement from now until the end of 2012. Having considered the alternative suppliers of motorbike parts and recent fluctuation in the currency exchange rates of Renminbi and United States Dollars, the Company decided to source more motorbike parts such as crank case components, pistons and cylinders from independent suppliers in Association of Southeast Asian Nations countries, and came to the view that it will not be necessary to seek a revision of the Original Annual Caps of the VMEPH Sanyang Global Purchase Agreement for the two years ending 31 December 2011 and 2012.

As stated in its announcement dated 28 March 2011, the Company proposed to revise the Original Annual Caps for the VMEPH Purchase Agreement for the two years ending 31 December 2011 and 2012 of US\$10,000,000 and US\$11,000,000, respectively to the revised annual caps of US\$18,000,000 and US\$21,000,000, respectively. Since the date of the announcement, the Company had given further consideration to the projected business trends of the Company and its estimated requirement for motorbike parts such as carburetors, pulleys and brake units being supplied under the VMEPH Purchase Agreement and came to the view that it will be necessary to further increase the amount of the Revised Annual Caps being sought with respect to the VMEPH Purchase Agreement for the two years ending 31 December 2011 and 2012 to US\$21,600,000 and US\$25,200,000, respectively. When determining the New Revised Annual Caps, the Company reassessed the projected increase in the amount of purchases expected to be made under the VMEPH Purchase Agreement in the light of the latest market developments. Hence, the Company will be seeking to revise the Original Annual Caps for the VMEPH Agreement for the two years ending 31 December 2011 and 2012 to US\$21,600,000 and US\$25,200,000, respectively instead of US\$18,000,000 and US\$21,000,000 as previously stated in its announcement dated 28 March 2011.

The New Continuing Connected Transaction

On 28 March 2011, the Company and Full Ta (being a subsidiary of Sanyang) entered into the VMEPH Full Ta Purchase Agreement pursuant to which Full Ta agrees to supply certain motorbike parts to the Group for a term commencing from 28 March 2011 and ending on 31 December 2012.

LETTER FROM THE BOARD

The Independent Board Committee has been established to consider (i) the Revised Annual Caps; (ii) the VMEPH Full Ta Purchase Agreement; and (iii) the Proposed Annual Caps. Centurion has been appointed by the Company as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with details of the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps, and to seek your approval of the ordinary resolutions set out in the notice of the EGM on pages 37 to 38 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps is set out on page 15 of this circular. The letter from Centurion to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps is set out on pages 16 to 32 of this circular.

THE EXISTING CONTINUING CONNECTED TRANSACTIONS

VMEPH Distributorship Agreement

On 9 November 2009, the Company entered into the VMEPH Distributorship Agreement with Sanyang for a term of three years commencing from 1 January 2010 in relation to, among others, the Group's exclusive distributorship of motorbikes and related parts manufactured by 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).

Under the VMEPH Distributorship Agreement, the Group only purchases products from the Sanyang Group when confirmed customer orders are received and the products being purchased are restricted to those models of motorbikes which are not produced by the Group. The Sanyang Group sells such products at a price that is at least 3.5% lower than the indicative purchase price for such products offered by Independent Third Party customers to whom the Group proposes to re-sell such products. Such pricing basis ensures that the Group will have the benefit of a margin of at least 3.5% as a minimum guaranteed profit on each product manufactured by the Sanyang Group which it re-sells to end customers in the Exclusive Territory. The Group is required to pay for all purchases made under the VMEPH Distributorship Agreement in cash within 30 days after the date of delivery.

VMEPH Purchase Agreement

On 9 November 2009, the Company entered into the VMEPH Purchase Agreement with Sanyang for a term of three years commencing from 1 January 2010 in relation to, among others, the purchase of motorbike parts by the Group from Sanyang which are either manufactured by Sanyang or sourced by it from Independent Third Parties.

Under the VMEPH Purchase Agreement, the Group purchases certain motorbike parts such as carburetors, pulleys and brake units from Sanyang which are either manufactured by Sanyang or sourced by it from Independent Third Parties. The pricing of motorbike parts being supplied under this agreement is on a cost plus basis. Sanyang charges the Group at the manufacturing cost or purchase cost (as the case may be) plus a margin of 10% or 15%. The Group is required to pay for all purchases made under the VMEPH Purchase Agreement in cash within 30 days after the date of delivery.

LETTER FROM THE BOARD

VMEPH VTBM Purchase Agreement

On 9 November 2009, the Company entered into the VMEPH VTBM Purchase Agreement with VTBM for a term of three years commencing from 1 January 2010 in relation to, among others, the purchase of motorbike parts from VTBM.

Under the VMEPH VTBM Purchase Agreement, the Group purchases motorbike parts such as fuel tanks, frames and rear shafts manufactured in Vietnam from VTBM. The pricing of motorbike parts sold by VTBM to the Group under this agreement is determined by reference to market prices. The Group is required to pay for all purchases under the VMEPH VTBM Purchase Agreement in cash within 60 days after the date of delivery.

Historical Amounts

The Company entered into the VMEPH Distributorship Agreement, the VMEPH Purchase Agreement and the VMEPH VTBM Purchase Agreement on 9 November 2009. Please refer to the Company's announcement dated 9 November 2009 for the initial annual caps for the Existing Continuing Connected Transactions for the financial year ended 31 December 2010 and the financial years ending 31 December 2011 and 2012, respectively as proposed by the Board at the time when those agreements were entered into.

Pursuant to the announcements dated 20 August 2010 and 25 August 2010, the Board revised the initial annual caps for the transactions under the VMEPH Distributorship Agreement.

The Original Annual Caps and the historical transaction amounts for the Existing Continuing Connected Transactions for the year ended 31 December 2010 are set out as follows:

	Original Annual Caps for the year ended 31 December 2010 (as revised by the Company's announcements dated 25 August 2010 and 20 August 2010, where applicable)	Actual transaction amount for the year ended 31 December 2010 (based on 2010 Annual Report of the Company dated 25 March 2011)
VMEPH Distributorship Agreement	US\$10,000,000 (equivalent to approximately HK\$78,000,000)	US\$9,538,244 (equivalent to approximately HK\$74,398,303)
VMEPH Purchase Agreement	US\$8,900,000 (equivalent to approximately HK\$69,420,000)	US\$8,882,518 (equivalent to approximately HK\$69,283,640)
VMEPH VTBM Purchase Agreement	US\$4,300,000 (equivalent to approximately HK\$33,540,000)	US\$4,296,635 (equivalent to approximately HK\$33,513,753)

LETTER FROM THE BOARD

Revised Annual Caps

Based on the Group's latest unaudited management accounts for the four months ended 30 April 2011, the Company expects that the Original Annual Caps will not be sufficient for the expected sales of the Group for the financial years ending 31 December 2011 and 2012, respectively. The Board therefore proposes to further revise the Original Annual Caps in relation to (i) the distribution of motorbike and related parts manufactured by Sanyang Group in the Exclusive Territory under the VMEPH Distributorship Agreement; (ii) the purchase of motorbike parts from Sanyang under VMEPH Purchase Agreement and (iii) the purchase of motorbike parts from VTBM under the VMEPH VTBM Purchase Agreement for the financial years ending 31 December 2011 and 2012, respectively.

The actual transaction amounts up to 30 April 2011 of the Existing Continuing Connected Transactions, and the Original Annual Caps and the Revised Annual Caps proposed by the Board are as follows:

		For the four months ended 30 April 2011 (base on unaudited management accounts)	For the year ending 31 December 2011	For the year ending 31 December 2012
VMEPH Distributorship Agreement	Actual transaction amount	US\$4,524,652 (equivalent to approximately HK\$35,292,286)	–	–
	Original Annual Caps for VMEPH Distributorship Agreement	–	US\$10,000,000 (equivalent to approximately HK\$78,000,000)	US\$10,000,000 (equivalent to approximately HK\$78,000,000)
	Revised Annual Caps for VMEPH Distributorship Agreement	–	US\$13,000,000 (equivalent to approximately HK\$101,400,000)	US\$14,500,000 (equivalent to approximately HK\$113,100,000)
VMEPH Purchase Agreement	Actual transaction amount	US\$7,497,285 (equivalent to approximately HK\$58,478,823)	–	–
	Original Annual Caps for VMEPH Purchase Agreement	–	US\$10,000,000 (equivalent to approximately HK\$78,000,000)	US\$11,000,000 (equivalent to approximately HK\$85,800,000)
	New Revised Annual Caps for VMEPH Purchase Agreement	–	US\$21,600,000 (equivalent to approximately HK\$168,480,000)	US\$25,200,000 (equivalent to approximately HK\$196,560,000)

LETTER FROM THE BOARD

		For the four months ended 30 April 2011 (base on unaudited management accounts)	For the year ending 31 December 2011	For the year ending 31 December 2012
VMEPH VTBM Purchase Agreement	Actual transaction amount	US\$2,177,985 (equivalent to approximately HK\$16,988,283)	–	–
	Original Annual Caps for VMEPH VTBM Purchase Agreement	–	US\$4,900,000 (equivalent to approximately HK\$38,220,000)	US\$5,700,000 (equivalent to approximately HK\$44,460,000)
	Revised Annual Caps for VMEPH VTBM Purchase Agreement	–	US\$6,000,000 (equivalent to approximately HK\$46,800,000)	US\$7,000,000 (equivalent to approximately HK\$54,600,000)

REASONS FOR AND BENEFITS OF THE REVISED CAPS

The Group manufactures various types of scooters and cubs to cope with different customer demand so as to raise its market share. By strengthening its distribution network and motorbike parts sourcing network, the Group's responsiveness to customer demand and market changes will be enhanced. Therefore, under the Revised Annual Caps, the expected increased volumes of motorbikes to be distributed under VMEPH Distributorship Agreement, the expected increase in transaction volume under the VMEPH Purchase Agreement and the expected increase in the value of the motorbike parts purchased under VMEPH VTBM Purchase Agreement will enable the Group to meet different customer demands across South-east Asia and thus increase its market share, and the same time, to maintain its competitive edge in having lower production costs.

In determining the Revised Annual Caps for VMEPH Distributorship Agreement, the Board took into account the historical transaction amounts for the four months ended on 30 April 2011, and the expected increase in sales of specific models in Malaysia, the Philippines and Thailand. The Group's purchases of motorbikes (for reselling) under the VMEPH Distributorship Agreement during the first four months ended 30 April 2011 was US\$4,524,652, which represents an increase of approximately 103% compared with the same period in 2010, or approximately 45% of the Original Annual Cap for VMEPH Distributorship Agreement for 2011.

In determining the New Revised Annual Caps for VMEPH Purchase Agreement, the Board took into account the historical transaction amounts for the four months ended on 30 April 2011, the constantly rising costs of raw materials, the expected general sharp increase in sales amount (both motorbike parts and motorbikes), the projected business trends of the Company and its estimated requirement for motorbike parts such as carburetors, pulleys and brake units being supplied under the VMEPH Purchase Agreement, the latest market developments, the sharp appreciation of New Taiwan Dollars since the end of 2010, and the rising market demand for high-tech environmental-friendly products, especially models powered by electronic fuel injection engines which are more costly to manufacture. The Group's purchase under the VMEPH Purchase Agreement during the first four months ended 30 April 2011 was US\$7,497,285, which represents an increase of approximately 118% compared with the same period in 2010, or approximately 75% of the Original Annual Cap for VMEPH Purchase Agreement for 2011.

LETTER FROM THE BOARD

In determining the Revised Annual Caps for VMEPH VTBM Purchase Agreement, the Board took into account the historical transaction amounts for the four months ended on 30 April 2011, the recovery of the motorbike market, the expected increase in sales amount of both motorbike parts and motorbikes, and the increase in production costs driven by the sharp increase in raw material prices. The Group's purchase under the VMEPH VTBM Purchase Agreement during the first four months ended 30 April 2011 was US\$2,177,985, which represents an increase of approximately 40% compared with the same period in 2010, or approximately 45% of the Original Annual Cap for VMEPH VTBM Purchase Agreement for 2011.

As at the Latest Practicable Date, based on the Group's latest unaudited management accounts for four months ended 30 April 2011, the actual transaction amounts in relation to Existing Continuing Connected Transactions have not yet exceeded the relevant Original Annual Caps.

THE NEW CONTINUING CONNECTION TRANSACTION

VMEPH Full Ta Purchase Agreement

Date

28 March 2011

Contracting Parties

- (a) the Company (as the purchaser) and
- (b) Full Ta (the seller)

Term

28 March 2011 to 31 December 2012

Principal Terms

The Company may, whether itself or through any entities in the Group, purchase from Full Ta motorbike parts required for its production.

Price

Products are to be sold at their then prevailing market prices which are to be not less favourable to the Company or the Group (as the case may be) compared to prices charged by suppliers who are Independent Third Parties, and payment is to be made within 60 days after the date of delivery, after which interest will be charged against the Company (or the Group, as the case may be).

LETTER FROM THE BOARD

Proposed Annual Caps

The Board has considered and resolved that the Proposed Annual Caps are to be set as follows:

	For the year ending 31 December 2011	For the year ending 31 December 2012
Proposed Annual Caps	US\$1,600,000 (equivalent to approximately HK\$12,480,000)	US\$2,500,000 (equivalent to approximately HK\$19,500,000)

When setting the Proposed Annual Caps, the Company took into account the comparable prices for motorbike parts sourced from other suppliers, and the internal estimate of supplies to be switched from VTBM and other manufacturers to Full Ta for reasons as further explained below. The Company also considered the historical growth rates of the turnover of the Group and the historical transaction amounts of the similar purchases, the internal target turnover for 2011 and 2012, certain discussions with Full Ta on pricing of their products and also the evaluation by VMEP's purchase department.

Reasons for and Benefits of the VMEPH Full Ta Purchase Agreement

The Company has been purchasing motorbike parts from VTBM and other manufacturers in the northern part of Vietnam. However, as the Company's manufacturing plant is located in the southern part of Vietnam and that translates to the average delivery time of four days ex-factory from the current suppliers to the manufacturing plant of the Company, and in view of the constant increase in petrol price, the Company intends to reduce both the transportation costs and delivery time by purchasing motorbike parts from Full Ta, whose manufacturing plant is much closer to that of the Company's. This will also increase the flexibility of the Company in meeting unexpected surges in orders or other market contingencies. In choosing Full Ta as a supplier of motorbike parts, the Company also took into account Full Ta's general production capacity and relevant experience in supplying motorbike parts to motorbike manufacturers. Full Ta's capability to meet our production needs is also a crucial factor that our Company has considered.

THE COMPANY, THE GROUP AND THE SANYANG GROUP

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

As at the Latest Practicable Date, Sanyang, through its wholly-owned subsidiary, SYI, held 608,318,000 issued ordinary shares in the Company (approximately 67.02% of the issued share capital of the Company) and thus, is an indirect substantial shareholder of the Company. Therefore, members of the Sanyang Group are connected persons of the Company. 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.

LETTER FROM THE BOARD

VTBM is held as to 31% by VMEP and 69% by Three Brothers Taiwan, a non-wholly owned subsidiary of Sanyang. Therefore VTBM is a non-wholly owned subsidiary of Sanyang and is thus a connected person of the Company.

Full Ta specialises in the production of various motorbike parts. Its manufacturing centre in Vietnam is located near Hanoi. Full Ta is held as to 51% by Three Brothers Taiwan, a non-wholly owned subsidiary of Sanyang. Therefore, Full Ta is a non-wholly owned subsidiary of Sanyang and is thus a connected person of the Company.

DIRECTORS' VIEWS

As at the Latest Practicable Date, Mr. Chang Kwang Hsiung, Mr. Lou Hen Wen and Mr. Lee Hsi Chun have a 0.0012%, 0.0224% and 0.0002% shareholding in Sanyang, respectively. Mr. Chiang Shih Huang serves on the boards of both Sanyang and the Company, while Mr. Liu Wu Hsiung Harrison serves on the board of the Company and is an employee of Sanyang. Therefore pursuant to the Articles of Association of the Company, these five Directors abstained from voting to approve the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps due to the aforesaid overlapping of roles and shareholding interests in Sanyang.

The Company and the Directors (excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 15 of this circular) are of the view that the Existing Continuing Connected Transactions have been entered into in the ordinary and usual course of the business of the Group, that the VMEPH Distributorship Agreement, the VMEPH Purchase Agreement and the VMEPH VTBM Purchase Agreement are based on normal commercial terms, that the Existing Continuing Connected Transactions and their respective Revised Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company and the Directors (excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 15 of this circular) are of the view that the VMEPH Full Ta Purchase Agreement has been entered into in the ordinary and usual course of the business of the Group, that the agreement have been negotiated on an arm's length basis and is based on normal commercial terms, that the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

EGM

A notice convening the EGM to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 19 July 2011 at 10:00 a.m. is set out on pages 37 to 38 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps.

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 approximately 67.02% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, Sanyang, its subsidiaries and associates are required to and will abstain from voting at the EGM in respect of such resolutions.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Centurion, is of the opinion that (i) the transactions effected or to be effected pursuant to the VMEPH Distributorship Agreement, the VMEPH Purchase Agreement, the VMEPH VTBM Purchase Agreement and the VMEPH Full Ta Purchase Agreement have been carried out and/or will continue to be carried out in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the Revised Annual Caps and the Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps at the EGM.

GENERAL

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

21 June 2011

Dear Independent Shareholders,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the “**Circular**”) dated 21 June 2011 of the Company of which this letter forms a part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you in respect of the fairness and reasonableness of the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps. Centurion has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the advice of Centurion, we are of the opinion that (i) the transactions effected or to be effected pursuant to the VMEPH Distributorship Agreement, the VMEPH Purchase Agreement, the VMEPH VTBM Purchase Agreement and the VMEPH Full Ta Purchase Agreement have been carried out and/or will continue to be carried out in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the Revised Annual Caps and the Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we would advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Revised Annual Caps, the VMEPH Full Fa Purchase Agreement and the Proposed Annual Caps at the EGM.

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

Yours faithfully,

For and on behalf of the Independent Board Committee	
LIN Ching Ching	WEI Sheng Huang
<i>Independent non-executive</i>	<i>Independent non-executive</i>
<i>Director</i>	<i>Director</i>

LETTER FROM CENTURION

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Centurion dated 21 June 2011 for incorporation in this circular:–



CENTURION CORPORATE FINANCE LIMITED 盛百利財務顧問有限公司

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21 June 2011

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

Dear Sirs,

REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms of the non-exempt continuing connected transactions contemplated under the VMEPH Distributorship Agreement, the VMEPH Purchase Agreement, the VMEPH VTBM Purchase Agreement, and the VMEPH Full Ta Purchase Agreement, details of which are outlined in the “Letter From The Board” set out from pages 5 to 14 of the circular dated 21 June 2011 to the Shareholders (“Circular”) of which this letter forms a part. We have been appointed to give an opinion as to whether the Revised Annual Caps, the entering into of the VMEPH Full Ta Purchase Agreement, the Proposed Annual Caps and the respective continuing connected transactions contemplated thereunder are or will be carried out in the ordinary and usual course of business, are of normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Shareholders as a whole. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Company announced on 28 March 2011 and on 3 June 2011 regarding, among other things, that:

- (i) The Company expects that the Original Annual Caps which had previously been set for the Existing Continuing Connected Transactions for the two years ending 31 December 2011 and 31 December 2012, respectively would be exceeded. The Board therefore proposes to revise the Original Annual Caps;
- (ii) The entering into of the VMEPH Full Ta Purchase Agreement pursuant to which Full Ta agrees to supply certain motorbike parts to the Group for a term commencing from 28 March 2011 and ending on 31 December 2012; and
- (iii) The Revised Annual Caps under the VMEPH Purchase Agreement for the two years ending 31 December 2011 and 2012 have been further revised to US\$21,600,000 and US\$25,200,000 respectively.

LETTER FROM CENTURION

As certain applicable percentage ratios for the Revised Annual Caps for the VMEPH Distributorship Agreement exceed 5%, transactions entered into pursuant to the VMEPH Distributorship Agreement will constitute non-exempt continuing connected transactions of the Company subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

On the basis that the relevant transactions are entered into with Sanyang or members of the Sanyang Group which involve sourcing of motorbike parts from Sanyang Group to be used for the Group's manufacturing process, the transactions under the VMEPH VTBM Purchase Agreement, the VMEPH Purchase Agreement and the VMEPH Full Ta Purchase Agreement have been aggregated pursuant to Rule 14A.25 of the Listing Rules. As certain applicable percentage ratios of all the aforesaid transactions on an aggregate basis exceed 5%, the transactions pursuant to the VMEPH VTBM Purchase Agreement, the VMEPH Purchase Agreement and the VMEPH Full Ta Purchase Agreement will constitute non-exempt continuing connected transactions of the Company that are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Accordingly, the EGM will be convened by the Company with a view to seeking approval of the Revised Annual Caps for the Existing Continuing Connected Transactions, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps from the Independent Shareholders in accordance with the requirements of the Listing Rules.

The ordinary resolutions to be proposed at the EGM will be determined by way of poll by the Independent Shareholders. As set out in the "Letter From The Board", as Sanyang, either itself or its associates, being the counterparty to all the abovementioned transactions, is materially interested in those transactions, Sanyang and its associates will abstain from voting at the EGM to be convened for approving the above matters. In this regard, please refer to the sections headed "EGM" as set out in the "Letter From The Board" for further details.

The Independent Board Committee has been established to consider the Revised Annual Caps for the Existing Continuing Connected Transactions, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps contemplated thereunder. The Existing Continuing Connected Transactions and the new continuing connected transaction contemplated under the VMEPH Full Ta Purchase Agreement are also subject to the annual review requirements of Rules 14A.37 to 14A.40 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Circular, the prospectus of the Company dated 6 December 2007 and other documents (including but not limited to the sample invoices and comparable market quotations for the various Existing Continuing Connected Transactions and new continuing connected transaction), which have been provided to us by the executive Directors and for which they take full responsibility. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true at the time they were made and continued to be true at the date of this Circular. We have also assumed that all statements of belief, opinions and intentions made by the Directors in the Circular are reasonably made after due and careful enquiry.

LETTER FROM CENTURION

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. BACKGROUND

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

Sanyang, through its wholly-owned subsidiary, SYI, held 608,318,000 issued ordinary shares in the Company (approximately 67.02% of the issued share capital of the Company) as at the Latest Practicable Date and thus, is an indirect substantial shareholder of the Company. Therefore, members of the Sanyang Group are connected persons of the Company.

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.

VTBM is held as to 31% by VMEP and 69% by Three Brothers Taiwan, a non wholly-owned subsidiary of Sanyang. Therefore VTBM is a non wholly-owned subsidiary of Sanyang and is thus a connected person of the Company.

Full Ta specialises in the production of various motorbike parts. Its manufacturing centre in Vietnam is located near Hanoi. Full Ta is held as to 51% by Three Brothers Taiwan, a non wholly-owned subsidiary of Sanyang. Therefore, Full Ta is a non wholly-owned subsidiary of Sanyang and is thus a connected person of the Company.

LETTER FROM CENTURION

The Group's motorbikes are retailed under the SYM and SANDA brand names and its operations in Vietnam commenced in 1992. The Group also produces motorbike engines and parts for internal use and for sale to overseas customers, and sells and provides services in respect of moulds for making die-cast and forged metal parts. Principal operations of the Group are undertaken through VMEP. The following table summarises the Group's segment revenue for the year ended 31 December 2010:–

Table A: Segment revenue of the Group for the year ended 31 December 2010 (in US\$)*

	Manufacture and sales of motorbikes	Manufacture and sales of spare parts and engines	Moulds and repair services	Group
Revenue from external customers	219,296,620	27,441,235	148,269	246,886,124
Inter segment revenue	–	89,291,138	1,585,820	90,876,958
Reportable segment revenue	219,296,620	116,732,373	1,734,089	337,763,082
Reportable segment profits (Adjusted EBIT)	17,180,831	11,161,091	373,721	28,715,643

(* Source: 2010 annual report of the Company)

As set out in the 2010 annual report of the Company, revenue of the Group for the year ended 31 December 2010 increased to US\$246.9 million from US\$217.7 million for the year ended 31 December 2009, representing an increase of US\$29.2 million or 13%. Such increment was due to stable domestic demand in Vietnam during the year of 2010. The Group's domestic sales quantities of scooters increased by 15% for the year ended 31 December 2010 as compared with the year ended 31 December 2009, while overall sales quantities also increased from approximately 210,000 units for the year ended 31 December 2009 to 230,000 units for the year ended 31 December 2010, representing an increase of 9% over the comparative periods. Sales of scooters continued to be the Group's major profit driver which accounting for 67% of total sales, and the principal models were ATTILA-VICTORIA, ELIZABETH, SHARK and JOYRIDE.

In terms of geographical contribution, approximately 89% of total sales were generated from the domestic market in Vietnam for the year ended 31 December 2010. Domestic sales in Vietnam increased 11% from US\$197.8 million for the year ended 31 December 2009 to US\$220.0 million for the year ended 31 December 2010. Sales in original currency Vietnamese Dong ("VND") increased by 20% actually, but amount converted to US\$ resulted at 11% only as Vietnamese Dong against US\$ has been deeply devalued during the year. Due to the increase in the overseas markets demands, export sales increased by US\$7.0 million during the year of 2010. The quantity of engines exported increased by approximately 14,000 units from approximately 11,000 units for the year ended 31 December 2009 to approximately 25,000 units for the year ended 31 December 2010.

As Sanyang is an indirect substantial shareholder of the Company and thus a connected person of the Company by virtue of Rule 14A.11(1) of the Listing Rules, members of the Sanyang Group are also connected persons to the Company. Accordingly, the transactions under the VMEPH Distributorship Agreement, the VMEPH Purchase Agreement, the VMEPH VTBM Purchase Agreement and the VMEPH Full Ta Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Dealing with each of these non-exempt continuing connected transactions of the Company in turn are as follows.

LETTER FROM CENTURION

2. PRINCIPAL TERMS, TRANSACTION VALUES AND CAP AMOUNTS OF THE EXISTING/NEW CONTINUING CONNECTED TRANSACTIONS

2.1 VMEPH Distributorship Agreement

On 9 November 2009, the Company entered into the VMEPH Distributorship Agreement with Sanyang for a term of three years commencing from 1 January 2010 in relation to, among others, the Group's exclusive distributorship of motorbikes and related parts manufactured by 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).

Under the VMEPH Distributorship Agreement, the Group only purchases products from the Sanyang Group when confirmed customer orders are received and the products being purchased are restricted to those models of motorbikes which are not produced by the Group. The Sanyang Group sells such products at a price that is at least 3.5% lower than the indicative purchase price for such products offered by Independent Third Party customers to whom the Group proposes to re-sell such products. Such pricing basis ensures that the Group will have the benefit of a margin of at least 3.5% as a minimum guaranteed profit on each product manufactured by the Sanyang Group which it re-sells to end customers in the Exclusive Territory. The Group is required to pay for all purchases made under the VMEPH Distributorship Agreement in cash within 30 days after the date of delivery.

The historical transaction values and existing annual caps of the continuing connected transactions under the VMEPH Distributorship Agreement are set out in the following table:–

Table B: Historical transaction values and existing annual caps of the transactions under the VMEPH Distributorship Agreement (in US\$)

(in US\$)	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
VMEPH Distributorship Agreement			
Transaction amount	6,072,390 (approximately HK\$47,364,642)	5,071,671 (approximately HK\$39,559,034)	9,538,244 (approximately HK\$74,398,303)
Annual caps sought and approved	7,700,000 (approximately HK\$60,060,000)	7,700,000 (approximately HK\$60,060,000)	10,000,000 (approximately HK\$78,000,000)

For the reasons set out in the “Letter From The Board” and below under the section headed “Reasons For And Benefits Of The Revised Annual Caps And Proposed Annual Caps”, the following Revised Annual Caps for the VMEPH Distributorship Agreement are to be sought.

Table C: Original caps and Revised Annual Caps for the transactions under the VMEPH Distributorship Agreement to be sought (in US\$)

(in US\$)	For the year ending 31 December 2011	For the year ending 31 December 2012
VMEPH Distributorship Agreement		
Annual caps sought and approved	10,000,000 (approximately HK\$78,000,000)	10,000,000 (approximately HK\$78,000,000)
Proposed Revised Annual Caps to be sought	13,000,000 (approximately HK\$101,400,000)	14,500,000 (approximately HK\$113,100,000)

LETTER FROM CENTURION

2.2 VMEPH Purchase Transaction

On 9 November 2009, the Company entered into the VMEPH Purchase Agreement with Sanyang for a term of three years commencing from 1 January 2010 in relation to, among others, the purchase of motorbike parts by the Group from Sanyang which are either manufactured by Sanyang or sourced by it from Independent Third Parties.

Under the VMEPH Purchase Agreement, the Group purchases certain motorbike parts such as carburetors, pulleys and brake units from Sanyang which are either manufactured by Sanyang or sourced by it from Independent Third Parties. The pricing of motorbike parts being supplied under this agreement is on a cost plus basis. Sanyang charges the Group at the manufacturing cost or purchase cost (as the case may be) plus a margin of 10% (if the import duty is 20% or more) or 15% (if the import duty is less than 20%). The Group is required to pay for all purchases made under the VMEPH Purchase Agreement in cash within 30 days after the date of delivery.

The historical transaction values and existing annual caps of the continuing connected transactions under the VMEPH Purchase Agreement are set out in the following table:–

Table D: Historical transaction values and existing annual caps of the transactions under the VMEPH Purchase Agreement (in US\$)

<i>(in US\$)</i>	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
VMEPH Purchase Agreement			
Transaction amount	15,458,469 (approximately HK\$120,576,058)	12,899,580 (approximately HK\$100,616,724)	8,882,518 (approximately HK\$69,283,640)
Annual caps sought and approved	35,000,000 (approximately HK\$273,000,000)	39,000,000 (approximately HK\$304,200,000)	8,900,000 (approximately HK\$69,420,000)

For the reasons set out in the “Letter From The Board” and below under the section headed “Reasons For And Benefits Of The Revised Annual Caps And Proposed Annual Caps”, the following New Revised Annual Caps for VMEPH Purchase Agreement are to be sought.

Table E: Original caps and New Revised Annual Caps for the transactions under the VMEPH Purchase Agreement to be sought (in US\$)

<i>(in US\$)</i>	For the year ending 31 December 2011	For the year ending 31 December 2012
VMEPH Purchase Agreement		
Annual caps sought and approved	10,000,000 (approximately HK\$78,000,000)	11,000,000 (approximately HK\$85,800,000)
Proposed Revised Annual Caps to be sought	21,600,000 (approximately HK\$168,480,000)	25,200,000 (approximately HK\$196,560,000)

LETTER FROM CENTURION

2.3 VMEPH VTBM Purchase Agreement

On 9 November 2009, the Company entered into the VMEPH VTBM Purchase Agreement with VTBM for a term of three years commencing from 1 January 2010 in relation to, among others, the purchase of motorbike parts from VTBM.

As set out in the “Letter From The Board”, under the VMEPH VTBM Purchase Agreement, the Group purchases motorbike parts such as fuel tanks, frames and rear shafts manufactured in Vietnam from VTBM. The pricing of motorbike parts sold by VTBM to the Group under this agreement is determined by reference to market prices. The Group is required to pay for all purchases under the VMEPH VTBM Purchase Agreement in cash within 60 days after the date of delivery.

The historical transaction values and annual caps of the continuing connected transactions under the VMEPH VTBM Purchase Agreement are set out in the following table:–

Table F: Historical transaction values and existing annual caps of the VMEPH VTBM Purchase Agreement (in US\$)

<i>(in US\$)</i>	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
VMEPH VTBM Purchase Agreement			
Transaction amount	3,908,724 (approximately HK\$30,488,047)	4,386,546 (approximately HK\$34,215,059)	4,296,635 (approximately HK\$33,513,753)
Annual caps sought and approved	6,200,000 (approximately HK\$48,360,000)	7,500,000 (approximately HK\$58,500,000)	4,300,000 (approximately HK\$33,540,000)

For the reasons set out in the “Letter From The Board” and below under the section headed “Reasons For And Benefits Of The Revised Annual Caps And Proposed Annual Caps”, the following Revised Annual Caps for the VMEPH VTBM Purchase Agreement are to be sought.

Table G: Original caps and Revised Annual Caps of the transactions under the VMEPH VTBM Purchase Agreement to be sought (in US\$)

<i>(in US\$)</i>	For the year ending 31 December 2011	For the year ending 31 December 2012
VMEPH VTBM Purchase Agreement		
Annual caps sought and approved	4,900,000 (approximately HK\$38,220,000)	5,700,000 (approximately HK\$44,460,000)
Proposed Revised Annual Caps to be sought	6,000,000 (approximately HK\$46,800,000)	7,000,000 (approximately HK\$54,600,000)

LETTER FROM CENTURION

2.4 VMEPH Full Ta Purchase Agreement

On 28 March 2011, the Company (as the purchaser) and Full Ta (as the seller) entered into the VMEPH Full Ta Purchase Agreement for a term of nearly two years from 28 March 2011 to 31 December 2012.

Pursuant to the VMEPH Full Ta Purchase Agreement, the Company may, whether itself or through any entities in the Group, purchase from Full Ta motorbike parts required for its production. Products are to be sold at their then prevailing market prices which are to be not less favourable to the Company or the Group (as the case may be) compared to prices charged by suppliers who are Independent Third Parties, and payment is to be made within 60 days after the date of delivery, after which interest will be charged against the Company (or the Group, as the case may be).

For the reasons set out in the “Letter From The Board” and below under the section headed “Reasons For And Benefits Of The Revised Annual Caps And Proposed Annual Caps”, the following annual caps for the VMEPH Full Ta Purchase Agreement are to be sought for the two years ending 31 December 2011 and 2012.

Table H: Proposed Annual Caps of the transactions under the VMEPH Full Ta Purchase Agreement to be sought (in US\$)

(US\$)	For the year ending 31 December 2011	For the year ending 31 December 2012
VMEPH Full Ta Purchase Agreement		
Proposed Annual Caps	1,600,000 (approximately HK\$12,480,000)	2,500,000 (approximately HK\$19,500,000)

When setting the Proposed Annual Caps, as set out in the “Letter From The Board”, the Company took into account the comparable prices for motorbike parts sourced from other suppliers, and the internal estimate of supplies to be switched from VTBM and other manufacturers to Full Ta for reasons as further explained below. The Company also considered the historical growth rates of the turnover of the Group and the historical transaction amounts of the similar purchases, the internal target turnover for 2011 and 2012, certain discussions with Full Ta on pricing of their products and also the evaluation by VMEP’s purchase department.

3. FINDINGS ON THE TERMS OF THE EXISTING/NEW CONTINUING CONNECTED TRANSACTIONS

In order to satisfy ourselves that the terms of the Existing Continuing Connected Transactions and the non-exempt continuing connected transactions contemplated under the VMEPH Full Ta Purchase Agreement will be, in general, carried out in the ordinary and usual course of business, are of normal commercial terms and that the terms of such transactions are no less favourable to the Group than those available to Independent Third Parties and where applicable, the pricing thereof will in general, be in line with the pre-determined margins or the prevailing market price, we have reviewed (except the continuing connected transactions contemplated under the VMEPH Full Ta Purchase Agreement) certain randomly selected samples from cost ledgers, invoices and price quotations on comparable motorbike parts submitted either by, or acquired from, Independent Third Parties suppliers and compared the principal terms of these costings, invoices and price quotations against those under the Existing Continuing Connected Transactions. Our findings are as follows:

LETTER FROM CENTURION

3.1 VMEPH Distributorship Agreement

As set out above, under the VMEPH Distributorship Agreement, the Group only purchases products from the Sanyang Group and (i) the products being purchased are restricted to those models of motorbikes which are not produced by the Group; and (ii) the Sanyang Group sells such products at a price that is at least 3.5% lower than the indicative purchase price for such products offered by Independent Third Party customers to whom the Group proposes to re-sell such products.

Amongst the sample invoices reviewed by us, we noted that those invoice numbers began with a “SY” reference all had to pay a 5% sales tax (based on cost) to the Taiwan tax authority. We understand from management of the Company that such payments, which were borne by the Group, have since been refunded, following refund applications lodged on a regular basis. We have also been provided with selected supporting documents evidencing such tax refunds. On the basis that all such sales taxes will continue to be refunded in full, the sample invoices and relevant cost data reviewed by us did adhere to this minimum 3.5% profit margin arrangement.

3.2 VMEPH Purchase Agreement

The pricing policy of the aforesaid 10% or 15% margin (depending on the import duty) to be added on to the cost to Sanyang, based on the relevant pricing ledger reviewed by us, is generally correct on the assumption that sales prices and costs are all in New Taiwan Dollars (“NT\$”). However, it should be noted that based on the invoices and ledgers of randomly selected motorbike parts reviewed by us, the actual invoicing of the parts, which were purchased in NT\$ and subsequently sold by Sanyang to the Group, were in US\$. As a result, depending on the relevant NT\$:US\$ exchange rate used, actual margins do fluctuate from the stipulated 10% or 15% margin, albeit not significantly.

We have also been advised that due to the large number of parts involved, Sanyang fixed its pricing on the motorbike parts at the beginning of the year under this agreement and such pricing would not be amended unless there is a new pricing memorandum due to material fluctuation in foreign exchange only. This pricing arrangement may therefore be less flexible (and possibly less accurate) in reflecting the comparable market prices of the relevant motorbike parts involved should there be sharp and material price fluctuations in the marketplace during a fiscal year. In response, management of the Company has clarified that:–

- (i) Over the last few years, inflationary pressure would more likely push up prices which in theory, would be more advantageous to the Group as such higher cost would not be passed on to it during the year; and
- (ii) In practice, Sanyang leverages on its considerable procurement order sizes and expects its suppliers of motorbike parts to adhere to their pricing arrangements agreed to at the beginning of the year (barring foreign exchange fluctuation which is beyond the control of such suppliers).

LETTER FROM CENTURION

During our sample reviews of the relevant cost ledgers containing the motorbike parts under this agreement, we have noted the considerable large number of parts involved and in light of the above clarifications, we are of the view that it is reasonable for Sanyang to adopt the abovementioned pricing policy.

Amongst the sample motorbike parts reviewed by us, there was a small number of samples which needed further supplemental information and input from the management with respect to additional processing work or value added in order to comply with the pricing policy of the aforesaid 10% or 15% margin. That said, the majority of the samples which did not require any of such supplemental information or input did confirm that the margins were at either 10% or 15%. Having considered all the samples reviewed by us, we are of the view that pricings of such samples was determined in accordance with the terms set out in the VMEPH Purchase Agreement which are fair and reasonable.

3.3 VMEPH VTBM Purchase Agreement

We have randomly selected a number of motorbikes parts sourced under this agreement in the past and in response to our request for comparable market pricing samples, the Company has provided price quotations from a number of Independent Third Parties covering all of the sample motorbikes parts selected by us. Having carefully considered such quotations from these Independent Third Parties, we are of the opinion that the findings of the samples reviewed by us do support the Board's position that pricing of motorbike parts sold by VTBM to the Group under this agreement was with reference to comparable market prices.

3.4 VMEPH Full Ta Purchase Agreement

Under this agreement, products are to be sold at their then prevailing market prices which are to be not less favourable to the Company or the Group (as the case may be) compared to prices charged by suppliers who are Independent Third Parties, and payment is to be made within 60 days after the date of delivery, after which interest will be charged against the Company (or the Group, as the case may be). We have been advised by the Company that there is no historical transaction from which we could select samples for testing, as this agreement has just been entered into and no purchase has yet been made.

In view of the lack of historical transaction, we have reviewed price quotations of certain motorbike parts proposed to be transferred from VTBM to Full Ta under this agreement prepared by each of VTBM and Full Ta at the beginning of this year. Such price quotations indicated that pricing by Full Ta would be more competitive than those by VTBM, assuming going forward, actual pricings will adhere to such quotations.

We have also been provided with a parts procurement guideline prepared by the Company and noted that there are established procedures for parts procurements (including jointly developed parts) from suppliers such as Full Ta and the various competitive pricing/bidding and quality control requirements under such guideline.

Based on the above information, we concur with the Board that products to be sold under this agreement are expected to be at their then prevailing market prices which are to be not less favourable to the Company or the Group (as the case may be) compared to prices charged by suppliers who are Independent Third Parties.

LETTER FROM CENTURION

4. REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS AND PROPOSED ANNUAL CAPS

The expected increase in demand for motorbikes in the marketplaces in which the Group operates is the underlying reason for the Revised Annual Caps and Proposed Annual Caps.

4.1 *Existing Continuing Connected Transactions*

The Group manufactures various types of scooters and cubs to cope with different customer demand so as to raise its market share. By strengthening its distribution network and motorbike parts sourcing network, the Group's responsiveness to customer demand and market changes will be enhanced. Therefore, under the Revised Annual Caps, the expected increased volumes of motorbikes to be distributed under VMEPH Distributorship Agreement, the expected increase in transaction volume under the VMEPH Purchase Agreement and the expected increase in the value of the motorbike parts purchased under VMEPH VTBM Purchase Agreement will enable the Group to meet different customer demands across South-east Asia and thus increase its market share, and at the same time, to maintain its competitive edge in having lower production costs.

4.1.1 *VMEPH Distributorship Agreement*

In determining the Revised Annual Caps for VMEPH Distributorship Agreement, the Board took into account the historical transaction amounts for the four months ended on 30 April 2011, and the expected increase in sales of specific models in Malaysia, the Philippines and Thailand. The Group's purchases of motorbikes (for reselling) under the VMEPH Distributorship Agreement during the first four months ended 30 April 2011 was US\$4,524,652, which represents an increase of approximately 103% compared with the same period in 2010 or approximately 45% of the Original Annual Cap for VMEPH Distributorship Agreement for 2011.

Our view that such historical transaction amounts, coupled with other factors, are in line with the Revised Annual Caps for VMEPH Distributorship Agreement is set out in Subsection 4.4 below.

4.1.2 *VMEPH Purchase Agreement*

In determining the New Revised Annual Caps for VMEPH Purchase Agreement, the Board took into account the historical transaction amounts for the four months ended on 30 April 2011, the constantly rising costs of raw materials, the expected general increase in sales amount (both motorbike parts and motorbikes), the projected business trends of the Company and its estimated requirement for motorbike parts such as carburetors, pulleys and brake units being supplied under the VMEPH Purchase Agreement, the latest market developments, the sharp appreciation of New Taiwan Dollars since 2010, and the rising market demand for high-tech environmental-friendly products, especially models powered by electronic fuel injection engines which are more costly to manufacture. Demand for such fuel-efficient models is expected to have a substantial increase on a year-on-year basis. The Group's purchase under the VMEPH Purchase Agreement during the first four months ended 30 April 2011 was US\$7,497,285, which represents an increase of approximately 118% compared with the same period in 2010, or approximately 75% of the Original Annual Cap for VMEPH Purchase Agreement for 2011.

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Our view that such historical transaction amounts, coupled with other factors as discussed herein, are in line with the New Revised Annual Caps for VMEPH Purchase Agreement, is set out in Subsection 4.4 below.

4.1.3 VMEPH VTBM Purchase Agreement

In determining the Revised Annual Caps for VMEPH VTBM Purchase Agreement, the Board took into account the historical transaction amounts for the four months ended on 30 April 2011, the recovery of the motorbike market, the expected increase in sales of both motorbike parts and motorbikes (as set out below in subsection 4.4), and the increase in production costs driven by the sharp increase in raw material prices. The Group's purchase under the VMEPH VTBM Purchase Agreement during the first four months ended 30 April 2011 was US\$2,177,985, which represents an increase of approximately 40% compared with the same period in 2010, or approximately 45% of the Original Annual Cap for VMEPH VTBM Purchase Agreement for 2011.

Our view that such historical transaction amounts, coupled with other factors as discussed herein, are in line with the Revised Annual Caps for VMEPH VTBM Purchase Agreement, is set out in Subsection 4.4 below.

4.2 New Continuing Connected Transaction under the VMEPH Full Ta Purchase Agreement

The Company has been purchasing motorbike parts from VTBM and other manufacturers in the northern part of Vietnam. However, as the Company's manufacturing plant is located in the southern part of Vietnam and that translates to the average delivery time of four days ex-factory from the current suppliers to the manufacturing plant of the Company, and in view of the constant increase in petrol price, the Company intends to reduce both the transportation costs and delivery time by purchasing motorbike parts from Full Ta, whose manufacturing plant is much closer to that of the Company's. This will also increase the flexibility of the Company in meeting unexpected surges in orders or other market contingencies. In choosing Full Ta as a supplier of motorbike parts, the Company also took into account Full Ta's general production capacity and relevant experience in supplying motorbike parts to motorbike manufacturers. Full Ta's capability to meet the Group's production needs is also a crucial factor that the Company has considered.

4.3 Our views

Independent Shareholders should take note of the special and close relationship between the Group and the Sanyang Group, details of which are set out in the prospectus of the Company dated 6 December 2007 under the section headed "Relationship With The Sanyang Group". The Sanyang Group began selling its motorbikes in 1970s in Taiwan. Sanyang, which was incorporated in Taiwan in 1961 with its shares having been listed on the Taiwan Stock Exchange since 29 July 1996, has the depth and breadth in the manufacture of motorbikes and related parts.

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The Group would purchase parts from Sanyang and not directly from Independent Third Party suppliers which were also known to the Group because the combined purchase volume of Sanyang and the Group would enable Sanyang to negotiate better terms with those suppliers which in turn, would benefit the Group. We also understand from management of the Company that the whole supply chain arrangement of the Group is driven by a combination of important factors like pricing, quality, logistics services and supports, which are the underlying reasons for the non-exempt continuing connected transactions.

In light of the aforesaid, in particular, the motorbike manufacturing capability of the Sanyang Group, the Group's historical relationship with Sanyang, the need to source parts from or through the Sanyang Group due to pricing, quality, stability of supply and other supply chain factors, given the rising material costs and other prevailing economic circumstances, we are in concurrence with the abovementioned reasons for and benefits of the Revised Annual Caps and the Proposed Annual Caps as cited by the Board. We also concur with the Board that the various agreements for the Existing Continuing Connected Transactions and the VMEPH Full Ta Purchase Agreement have been entered into in the ordinary and usual course of business of the Group, the continuing connected transactions contemplated thereunder and their respective Revised Annual Caps and Proposed Annual Caps are in the interests of the Company and its Shareholders as a whole.

4.4 Bases for the Revised Annual Caps/Proposed Annual Caps

The section above headed "Reasons For And Benefits Of The Revised Annual Caps And Proposed Annual Caps" sets out the reasons for the Revised Annual Caps and the Proposed Annual Caps. We have reviewed certain projections prepared by the Company and have noted the following bases and assumptions supporting such reasons for the Revised Annual Caps and the Proposed Annual Caps:—

4.4.1 VMEPH Distributorship Agreement

The expected increase in volumes of motorbikes to be distributed under VMEPH Distributorship Agreement is based on an increase in turnover of approximately 103% for the first four months ended 30 April 2011 (which compared with the same period in 2010) and the expected increase in sales of specific models in the Association of Southeast Asian Nations countries, in particular Malaysia, the Philippines and Thailand. These expected increase in sales are driven by growth in the local marketplace and economic strengths. In this regard, a more detailed analysis on the gross domestic product ("GDP") and GDP growth rate of each of Malaysia, the Philippines and Thailand (in addition to Vietnam) is also set out below.

4.4.2 VMEPH Purchase Agreement

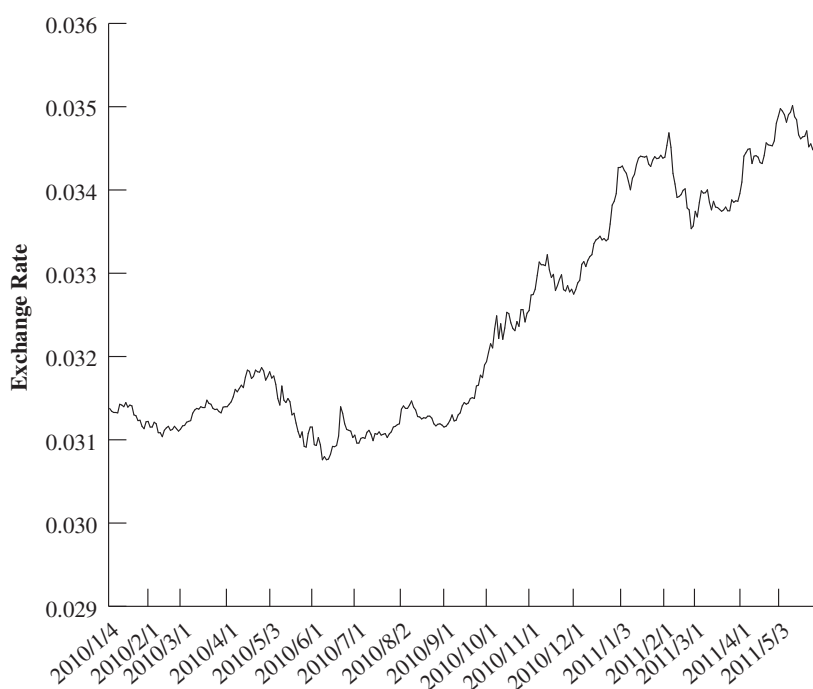
The expected increase in transaction volume under the VMEPH Purchase Agreement is based on the historical transaction amounts for the four months ended on 30 April 2011, the constantly rising costs of raw materials, the expected general increase in sales (both motorbike parts and motorbikes), the sharp appreciation of New Taiwan Dollars since 2010, and the rising market demand for high-tech environmental-friendly products, especially models powered by electronic fuel injection engines which are more costly to manufacture. The Group's purchase under the VMEPH Purchase Agreement during the first four months ended 30 April 2011 rose approximately 118%, when compared with the same period in 2010.

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In so far as the numbers of motorbikes projected to be for local as well as for export markets, we noted that there is a sharp rise in such numbers, in particular, the projected percentage of increase in the number of motorbikes for export markets outside of Vietnam. Further, the Company has also adopted a buffer of approximately 20% to its projected transaction volume under the VMEPH Purchase Agreement to arrive at the relevant Revised Annual Caps. This 20% buffer is deemed necessary by the Board as since the date of the announcement of the Company on 28 March 2011, it becomes aware of the considerable increase in transaction volume under the VMEPH Purchase Agreement for the four months ended on 30 April 2011. We also understand that the projected business trends of the Company and its estimated requirement for motorbike parts such as carburetors, pulleys and brake units being supplied under the VMEPH Purchase Agreement meant it has fewer sourcing alternatives, other than from Sanyang, as some of these parts are more specialised. In addition, the NT\$/US\$ exchange fluctuation thus far further complicates such projected needs of the Company and accordingly, the buffer is required to address these uncertainties.

In response to the sharp appreciation of New Taiwan Dollars vs. the US Dollars as cited by the Board, we have also noted the following foreign exchange movements, the rising trend of the NT\$ per US\$ supports the Board's bases arising from such rising exchange rate:–

Chart I – Exchange Rate of NT\$/US\$ (US\$ Sell Rates)



(Source: Sell rates extracted from the website of Bank of Taiwan (www.bot.com.tw))

4.4.3 VMEPH VTBM Purchase Agreement

The Board took into account the historical transaction amounts for the four months ended on 30 April 2011, the recovery of the motorbike market, the expected increase in sales of both motorbike parts and motorbikes, and the increase in production costs driven by the sharp increase in raw material prices. The Group's purchase under the VMEPH VTBM Purchase Agreement during the first four months ended 30 April 2011 increased by approximately 40%, when compared with the same period in 2010.

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4.4.4 VMEPH Full Ta Purchase Agreement

We have reviewed certain management-prepared projection for the period from May to December 2011, which consists of a breakdown on projected purchases of various parts for different models of motorbikes. These projected purchases are based on the Company's historical purchases of motorbike parts from VTBM and other manufacturers in the northern part of Vietnam and the Company's intention to switch such purchases to Full Ta, in order to reduce both the transportation costs and delivery time as Full Ta's manufacturing plant is much closer to that of the Company's, both located in the southern part of Vietnam. In choosing Full Ta as a supplier of motorbike parts, the Company also took into account Full Ta's general production capacity and relevant experience in supplying motorbike parts to motorbike manufacturers.

4.4.5 Our views

We also noted that as set out in the Company's 2010 annual report, the Vietnam economic conditions remained uncertain but its domestic motorbike industry continued to grow at a steady pace. According to the statistics from the Vietnam General Statistics Office, GDP of 2010 recorded a growth rate of 6.8% over the previous year and the consumer price index for the year grew by 11.8%, whereas number of motorbikes sold in 2010 amounted to 3.3 million units, representing a growth of 14% over the same period of last year. On 10 February 2010, just before Tet (Vietnam Spring Festival), the central bank devalued the currency by 3.4%, following a devaluation of 5.4% in November 2010. The foreign exchange against US\$ has been depreciated from US\$1:VND18,479 as at 31 December 2009 to VND19,500 at 31 December 2010. As at 21 February 2011, the exchange rate has been further depreciated to US\$1:VND20,880 or 7%.

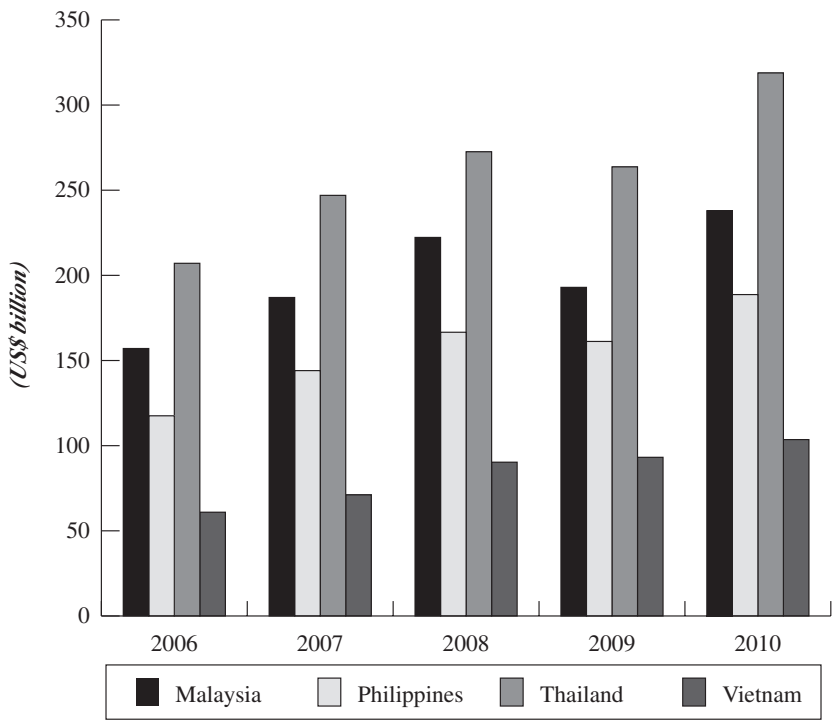
During 2010, the Group strengthened its distribution network with the opening of 32 flagship outlets in Vietnam. As of 31 December 2010, the Group's extensive distribution network comprised over 330 SYM-authorised stores owned by dealers, covering every province in Vietnam.

For the year ended 31 December 2010, an aggregate of approximately 193,500 units (of which approximately 126,000 units and 67,500 units are scooters and cubs respectively) were sold by the Company in Vietnam and approximately 36,900 units were exported to Association of South East Asian Nations countries, representing an increase of 8% and 20% respectively over the previous year. As disclosed in the "Letter From The Board", in determining the Revised Annual Caps for VMEPH Distributorship Agreement, the Board took into account the historical transaction amounts for, among other things, the expected increase in sales of specific models in Malaysia, the Philippines and Thailand.

In light of the above, we have taken into consideration the two charts below on respectively, GDP and GDP growth rate of each of Vietnam, Malaysia, the Philippines and Thailand, as published by the International Monetary Fund. Vietnam is of course the main marketplace for the Group whereas Malaysia and the Philippines are also important marketplaces. Thailand, while not a major market for the Group, is included below given it was mentioned by the Board for expected increase in sales of specific models of motorbikes under the VMEPH Distributorship Agreement. We have noted the general V-shape rebound of GDP growth rates of these four countries respectively at the end of 2009, which do support the expectation of the Board in terms of expected strong or increase in sales in these marketplaces for 2011 and possibly for 2012.

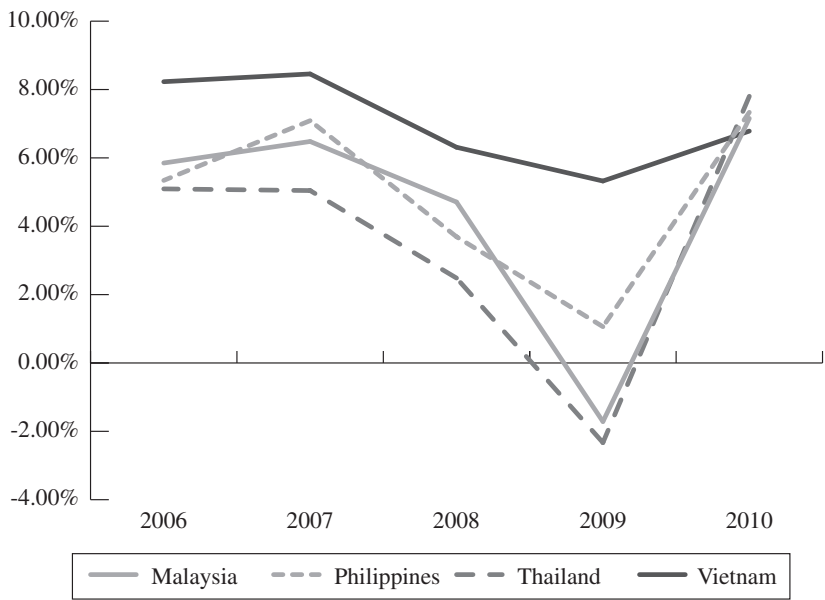
LETTER FROM CENTURION

Chart II – GDP of Malaysia, Philippines, Thailand and Vietnam from 2006 to 2010



(Source: International Monetary Fund, World Economic Outlook Database, April 2011)

Chart III – GDP growth rates (constant prices) of Malaysia, Philippines, Thailand and Vietnam from 2006 to 2010



(Source: International Monetary Fund, World Economic Outlook Database, April 2011)

LETTER FROM CENTURION

Having considered the aforesaid bases, the effect of the market conditions, the economic data as set out in the charts above, when viewed against the Revised Annual Caps and the Proposed Annual Caps, we take the view that such cap amounts are arrived at based on bases and assumptions which are fair and reasonable and the relevant historical transaction amounts are in line with the Revised Annual Caps sought. That said, in line with all projections, actual events are likely to be different and this is particularly so for a business as complicated as that of the Group. As such, there is always the possibility that a particular Revised Annual Cap or Proposed Annual Cap is either too conservative or aggressive.

The proposed increases in the Revised Annual Caps should be balanced by the latest financial picture of the Group. As set out in the unaudited consolidated quarterly results announcement of the Company dated 29 April 2011, when compared to the same period of last year, for the first three months ended 31 March 2011, while revenue of the Group surged by approximately 22%, gross profit only rose approximately 1% whereas net profit after tax actually declined by approximately 1%. Gross profit margin also dropped from approximately 26% to approximately 21% for the same periods under review. These figures speak volumes on the inflationary pressure and the exchange rates-related adverse impact on the cost of goods sold by the Group.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms of the non-exempt continuing connected transactions under the Existing Continuing Connected Transactions, the Revised Annual Caps, the entering into of the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps are or will be carried out in the ordinary and usual course of business, are of normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Shareholders as a whole.

We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving each of the Revised Annual Caps, the VMEPH Full Ta Purchase Agreement and the Proposed Annual Caps, at the EGM.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

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

Name of director	Name of corporation	Nature of interest	Interests in Shares/ underlying Shares	Total number of ordinary Shares ⁽¹⁾	Approximate percentage of the total voting rights
Chang Kwang Hsiung	The Company	Personal interest	Share options ⁽²⁾	498,000 (L)	0.06%
			Shares	50,000 (L)	
Wang Ching Tung	The Company	Personal interest	Share options ⁽²⁾	398,000 (L)	0.04%
Lee Hsi Chun	The Company	Personal interest	Share options ⁽²⁾	398,000 (L)	0.04%
Liu Wu Hsiung Harrison	The Company	Personal interest	Share options ⁽²⁾	413,000 (L)	0.04%

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

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

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

(b) Interests of substantial shareholders

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

Name	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
SYI ⁽³⁾	Corporate interest	608,318,000 (L)	67.02%
Sanyang ^{(3) (4)}	Interest in a controlled corporation	608,318,000 (L)	67.02%

- (1) The letter “L” denotes the entity’s long position in such Shares.
- (2) The relevant percentages have been calculated by reference only to 907,680,000 Shares, being the aggregate number of Shares in issue as at the Latest Practicable Date.
- (3) SYI is a direct wholly-owned subsidiary of Sanyang and therefore, Sanyang is deemed or taken to be interested in the Shares held by SYI for the purposes of the SFO.
- (4) Mr. Chiang Shih Huang, a Director, is also a director of Sanyang and Mr. Liu Wu Hsiung Harrison, a Director, is also a vice general director of the overseas business division of Sanyang. Mr. Chang Kwang Hsiung, Mr. Lou Hen Wen and Mr. Lee Hsi Chun have a 0.0012%, 0.0224% and 0.0002% shareholding in Sanyang, respectively.

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

3. COMPETING BUSINESS INTERESTS OF DIRECTORS

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

4. QUALIFICATION

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

Name	Qualification
Centurion Corporate Finance Limited	a deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined in the SFO

5. CONSENT

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

6. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

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

8. MISCELLANEOUS

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

- (b) As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or Centurion was beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and none had any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (d) The company secretary and the qualified accountant of the Company is Mr. Chan Chi Shing who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.
- (e) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (f) The principal place of business of the Company in Hong Kong is at Room 2106, 21/F., Technology Plaza, 651 King's Road, North Point, Hong Kong.
- (g) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (h) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Cayman) Limited.
- (i) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of the Company at room 2106, 21/F., Technology Plaza, 651 King's Road, North Point, Hong Kong from the date of this circular to 15 July 2011 (both days inclusive):

- (a) the VMEPH Distributorship Agreement;
- (b) the VMEPH Purchase Agreement;
- (c) the VMEPH VTBM Purchase Agreement; and
- (d) the VMEPH Full Ta Purchase Agreement.

NOTICE OF EGM



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of shareholders of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “**Company**”) will be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 19 July 2011 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 caps for the years ending 31 December 2011 and 2012 (details of which have been set out in the circular of the Company dated 21 June 2011 (the “**Circular**”) in respect of the transactions under the agreement (the “**VMEPH Distributorship Agreement**”) dated 9 November 2009, entered into between the Company and Sanyang Industry Co., Limited. (“**Sanyang**”) in relation to the exclusive distributorship by the Company and its subsidiaries (the “**Group**”) of motorbikes and related parts manufactured by Sanyang and its subsidiaries (the “**Sanyang Group**”) in 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 (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) be and are hereby approved, confirmed and ratified.”
2. “**THAT** the proposed revised annual caps for the years ending 31 December 2011 and 2012 (details of which have been set out in the Circular) in respect of the transactions under the agreement (the “**VMEPH Purchase Agreement**”) dated 9 November 2009 and entered into between the Company and Sanyang in relation to the purchase of motorbike parts by the Group from Sanyang which are either manufactured by Sanyang or sourced by it from independent third parties be and are hereby approved, confirmed and ratified.”
3. “**THAT** the proposed revised annual caps for the years ending 31 December 2011 and 2012 (details of which have been set out in the Circular) in respect of the transactions under the agreement (the “**VMEPH VTBM Purchase Agreement**”) dated 9 November 2009 and entered into between the Company and Vietnam Three Brothers Machinery Industry Company Limited (“**VTBM**”) in relation to the purchase of motorbike parts from VTBM be and are hereby approved, confirmed and ratified.”

NOTICE OF EGM

4. “**THAT** the agreement (the “**VMEPH Full Ta Purchase Agreement**”) dated 28 March 2011 and entered into between the Company and Hanoi Full Ta Precision Company Limited (“**Full Ta**”) in relation to purchases of motorbike parts by the Company or through any other entities in the Group from Full Ta, the transactions contemplated under the VMEPH Full Ta Purchase Agreement and the proposed annual caps for the years ending 31 December 2011 and 2012 in respect of the transactions under the VMEPH Full Ta Purchase Agreement (details of which have been set out in the Circular) be and are hereby approved, confirmed and ratified.”

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

Hong Kong, 21 June 2011

Registered Office:

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

Principal Place of Business

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

Notes:

1. The register of members of the Company will be closed from 14 July 2011 to 19 July 2011, both days inclusive, during which period no transfer of shares of the Company (the “Shares”) can be registered. In order to qualify for the attendance of the extraordinary general meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 13 July 2011.
2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not less than 48 hours before the time fixed for holding of the meeting or any adjourned meeting.
4. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), Sanyang, the ultimate controlling shareholder of the Company, its subsidiaries and associates (as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolutions.
5. The ordinary resolutions set out above will be determined by way of poll.