VMEPH
Vietnam

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)

ANNUAL REPORT 2021

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Wu Hsiung *(Chairman)*
Mr. Huang Tsung Yeh *(Chief Executive Officer)*
(appointed on 28 March 2022)
Mr. Lin Chun Yu
Mr. Cheng Hsu Chi *(Chief Executive Officer)*
(appointed on 22 April 2021 and resigned on 24 March 2022)
Mr. Lin Chih Ming *(Chief Executive Officer)*
(resigned on 22 April 2021)

Non-executive Directors

Mr. Chiang Chin Yung (re-designated on 1 September 2021)
Mr. Chen Hsu Pin (appointed on 22 April 2021)
Ms. Wu Li Chu
Mr. Chiu Ying Feng (resigned on 22 April 2021)

Independent Non-executive Directors

Ms. Lin Ching Ching
Ms. Wu Kwei Mei
Mr. Cheung On Kit Andrew
Mr. Shen Hwa Rong (resigned on 30 June 2021)

AUDIT COMMITTEE

Ms. Lin Ching Ching *(Chairman)*
Ms. Wu Kwei Mei
Mr. Cheung On Kit Andrew (appointed on 30 June 2021)
Mr. Shen Hwa Rong (resigned on 30 June 2021)

REMUNERATION COMMITTEE

Ms. Lin Ching Ching *(Chairman)*
Ms. Wu Kwei Mei
Mr. Liu Wu Hsiung

NOMINATION COMMITTEE

Mr. Liu Wu Hsiung *(Chairman)*
Ms. Lin Ching Ching
Mr. Cheung On Kit Andrew

AUTHORISED REPRESENTATIVES

Mr. Liu Wu Hsiung
Ms. Lee Angel Pui Shan (appointed on 4 March 2022)
Ms. Ng Wing Shan (resigned on 4 March 2022)

COMPANY SECRETARY

Ms. Lee Angel Pui Shan (appointed on 4 March 2022)
Ms. Ng Wing Shan (resigned on 4 March 2022)

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance

LEGAL ADVISER

Norton Rose Fulbright Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai Hong Kong

PRINCIPAL BANKERS

Asia Commercial Bank
Jointstock Commercial Bank for Foreign Trade of Vietnam

STOCK CODE

422

COMPANY'S WEBSITE AND CONTACT

www.vmeph.com
Tel: (886) 3597 2788
Fax: (886) 3597 1883

Financial Summary

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for the last five financial years:

	2021	2020	2019	2018	2017
	US$'Million	*US$'Million*	*US$'Million*	*US$'Million*	*US$'Million*
RESULTS					
Revenue	**93.0**	84.1	99.5	91.5	93.7
Gross profit/(loss)	**5.9**	8.1	5.4	(2.3)	6.1
Results from operating activities	**6.6**	(4.9)	(11.0)	(23.3)	(13.2)
Loss before taxation	**(5.6)**	(7.3)	(17.6)	(40.5)	(9.8)
Loss attributable to equity shareholders	**(5.6)**	(7.3)	(17.6)	(41.8)	(9.3)
Loss per share (US$) *(Note 1)*	**(0.01)**	(0.01)	(0.02)	(0.05)	(0.01)
ASSETS AND LIABILITIES					
Total assets	**113.7**	107.2	109.2	115.2	161.7
Total liabilities	**61.1**	49.7	44.7	33.1	35.9
Net assets	**52.6**	57.5	64.6	82.1	125.8
Equity attributable to equity shareholders	**52.6**	57.5	64.6	82.1	125.8
Return on equity (%)	**(10.6)**	(12.7)	(27.2)	(50.9)	(7.4)
Current ratio (times) *(Note 2)*	**1.8**	2.0	2.3	3.3	3.9
Gearing ratio (%) *(Note 3)*	**69**	53	43	23	19

Notes:

1. The calculation of loss per share for above is based on the loss attributable to equity shareholders and the weighted average number of ordinary shares in issue (i.e. 907,680,000 shares) of the Company during the year.

2. Current ratio is calculated by dividing current assets by current liabilities.

3. Gearing ratio is equal to total bank loans divided by total equity times 100%.

Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") and its subsidiaries (the "Group") is one of the leading manufacturers of scooters and cub motorbikes in Vietnam. Its manufacturing and assembly operations are located in Dong Nai Province (near Ho Chi Minh City) and Hanoi of Vietnam with an annual production capacity of 200,000 motorbikes. The Group's motorbikes are sold under the SYM brand name and offering a wide range of models. It also produces motorbike parts and engines for internal use and export to oversea customers as well as selling and providing services associated with moulds to make die-cast and forged metal parts.

OPERATING ENVIRONMENT

In 2021 under review, the global economy was still suffering from the heavy blow dealt on by the novel coronavirus (the "COVID-19") pandemic. Economic activities in major regions had still not yet been recovered and overall consumption was slow. Many regions were locked down, transportation was inconvenient which led to the imbalance between supply and demand of some commodities and an extremely volatile market. The operating performance of the Group was also restrained during the year ended 31 December 2021 (the "Year").

In Vietnam, the Group's major operating location, the COVID-19 pandemic started to worsen in the second quarter of 2021 with most regions reporting infection cases. To contain infections, the government started implementing social distancing rules in provinces and cities, and tightened the restrictions on companies' operations, as a result, sales and production activities slowed down in most regions. At the same time, as major trading partners were also affected by the COVID-19 pandemic, export was affected. Thus, the overall economic growth rate of Vietnam and ASEAN countries decreased.

The heightened external uncertainties mentioned above exerted considerable pressure on the Group's motorbike manufacturing business. According to the statistics from the Vietnam Association of Motorcycle Manufacturers, the total sales volume of the top five foreign direct investment manufacturers in Vietnam in 2021 was 2,492,372 motorbikes, representing a decrease of 8.1% compared to 2020 and the third consecutive year of decline.

In addition to the above-mentioned impacts of the COVID-19 pandemic, there has been still keen competition in the business environment in Vietnam and ASEAN countries. Facing such operating pressure, the management of the Group will continue to devote its best efforts to proactively identify potential business opportunities and pursue sustainable development in order to ensure stability in production and keep its operation in order with a view to mitigate the adverse impacts.

BUSINESS REVIEW

The year under review in 2021 was a period of profuse and complex challenges. The COVID-19 pandemic has had a significant impact on individuals, communities, and businesses globally. Employees at all levels of the Group's business were asked to change the way they work, and to interact professionally and socially. In line with the various governmental health measures, the Group implemented significant controls and requirements at all its sites to protect the health and safety of its workforce, their families, local suppliers, and neighbouring communities, while ensuring a safe environment for operations to continue.

To weather the challenges, a series of cost containment measures streamlining operations and work processes were implemented. Also, in response to the slowdown in sales in Vietnam and ASEAN countries, the pace and quality of production and procurement were strictly controlled to reduce the burden on inventory costs. Despite a sharp decline in sales during the Year, through the adoption of a series of operating cost control measures, the financial position of the Group remained stable.

The Group's operation resilience was tested under the COVID-19 pandemic. The Group saw both growth and decline in its main sales regions. The Group sold an aggregate of approximately 28,100 units (which was comprised of approximately 3,300 units of scooters, 24,500 units of cubs and 300 units of electric motorbikes) in Vietnam for the year ended 31 December 2021, representing a decrease of 38.9% from the previous year. Such decrease was mainly attributed to the COVID-19 prevention policies implemented by the Vietnamese government, in response to which the Group suspended the operations at its major plants for the manufacturing and assembly of motorbikes in Vietnam from 22 July 2021 to 15 October 2021, resulting in a decline in both production volume and orders.

During the Year, the Group sold an aggregate of approximately 47,000 units of scooters and cubs by exporting to ASEAN countries, representing an increase of 15.6% from the previous year. Such increase was mainly attributed to the Group's efforts to proactively expand its sales market to Thailand and Greece. The sales of the motorbike models for which the Group provided original equipment manufacturing services for Lambretta (a brand under the Group's partner) remained stable in Thailand. Moreover, the DRONE model, a high-quality scooter developed jointly with a renowned local motorbike manufacturer in Thailand, GP Motor (Thailand) Co., LTD, was well received by the mid-to-high-end market in Thailand. The launch of which caused a sensation in the market and has successfully driven the sales. In the Greek market, the Group's two products, which were launched in response to the more stringent environmental emission regulation "EURO5", provide enhanced power output with reliability and durability, and saw steady monthly sales growth in 2021. In Malaysia, the Group's focused export market, sales of the major advanced-level models of VF-series motorbikes grew steadily in 2021 with the stable control of the COVID-19 pandemic, while the newly launched JET X scooter model, targeting the mature whitecollar market, received an enthusiastic response from the market. However, with the resurgence and spread of the COVID 19 pandemic in Malaysia, the Group's sales in the country were slowed or suspended, which directly affected the local operations. In mid-October 2021, following the gradual relaxation of the Vietnamese government's pandemic prevention policies, the Group resumed full production and sales to meet the pent-up demand for motorbikes from customers in the ASEAN market as a result of the Group's previous production halt.

Over the years, the Group strived to build its product sales network, aim to achieve customer loyalty by constant expansion across Vietnam and implement flexible marketing strategies. As of 31 December 2021, the Group's extensive distribution network comprised over 194 SYM authorised stores owned by dealers, covering every province in Vietnam.

FINANCIAL REVIEW

The Group's net loss for the year ended 31 December 2021 decreased by US$1.7 million, from a net loss of US$7.3 million for the year ended 31 December 2020 to a net loss of US$5.6 million for the year ended 31 December 2021. Further analysis on the operating results of the Group is set out below.

REVENUE

Revenue of the Group for the year ended 31 December 2021 increased to US$93.0 million from US$84.1 million for the year ended 31 December 2020, representing an increase of US$8.9 million or 10.6%. Such increase was attributed to the following reasons: For domestic sales in Vietnam, the Group has gradually raised the selling price of its products since the first half of 2021 while distributors in Vietnam have been pre-ordering products in anticipation of the price increase, which boosted sales and hence revenue. However, the traditional peak season for motorbikes in Vietnam was disrupted by the pandemic from the second half of 2021 onwards, resulting in lower sales than expected, which in turn affected our revenue growth. For export sales, the revenue growth was driven by increased sales of mid-to-high-end products, partially offset by the slowdown or suspension of sales activities due to the recurrent outbreak of the COVID-19 pandemic in ASEAN countries. In line with the Vietnamese government's pandemic prevention policies, the Group's motorbike manufacturing and assembly plants were halted for almost three months, which also imposed a significant impact on the Group's domestic and overseas sales and revenue.

In terms of geographical contribution, approximately 27.4% of total revenue was generated from the domestic market in Vietnam for the year ended 31 December 2021 as compared with approximately 44.9% for the year ended 31 December 2020. Domestic sales in Vietnam decreased by 32.4% from US$37.7 million for the year ended 31 December 2020 to US$25.5 million for the year ended 31 December 2021. Export sales increased by 45.5% from US$46.4 million for the year ended 31 December 2020 to US$67.5 million for the year ended 31 December 2021.

COST OF SALES

The Group's cost of sales increased by 14.7%, from US$76.0 million for the year ended 31 December 2020 to US$87.2 million for the year ended 31 December 2021. Such increase was mainly attributed to the shortage of raw materials and the rising prices of components, which exert continuous cost pressure on the Group. During the nearly three-month halt of the motorbike manufacturing and assembly plants in Vietnam, the Group remained to incur direct labour costs and hence the cost pressure inevitably increased. As a percentage of total revenue, the Group's cost of sales increased from 90.4% for the year ended 31 December 2020 to 93.7% for the year ended 31 December 2021.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2021, the Group recorded a gross profit and gross profit margin of approximately US$5.9 million and 6.3% respectively (for the year ended 31 December 2020: gross profit and gross profit margin of approximately US$8.1 million and 9.6% respectively). Owing to the COVID-19 pandemic, the halt of the motorbike manufacturing and assembly plants in Vietnam and the highly competitive business environment in Vietnamese and ASEAN markets together with the rising costs of materials as discussed above, the Group was unable to reflect the increased costs by adjusting its selling prices for the time being. The greater increase in costs than in prices will continue to negatively impact the profitability of the Group's products. The Group has actively reviewed and optimised the sales mix of products, implemented a persistent control over production costs, and explored strategic alliances and collaborations. These moves, coupled with its geographical advantage and international experience, are expected to enhance the business synergy and diversify the income stream of the Group.

DISTRIBUTION EXPENSES

The Group's distribution expenses increased by 10.6%, from US$4.7 million for the year ended 31 December 2020 to US$5.2 million for the year ended 31 December 2021. The increase in expenses was mainly attributed to the surge in international freight rates and packaging costs for exported products as the Group's overseas sales volume gradually increased. The increase in distribution expenses was partially offset by the ongoing rectification of the Group's existing distribution network and the reduction in sales incentives and supporting fees payable to distributors.

TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 36.4% from US$1.1 million for the year ended 31 December 2020 to US$0.7 million for the year ended 31 December 2021, resulting from a decrease in the sales of SYM-branded motorbikes in Vietnam and ASEAN countries.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative and other operating expenses decreased by 11.4% from US$7.9 million for the year ended 31 December 2020 to US$7.0 million for the year ended 31 December 2021, which account for 7.6% of the Group's total revenue for the year ended 31 December 2021. The Group took proactive action in 2021 to integrate the platforms for developing different models of motorbikes, resulting in a significant reduction in research and development expenses. Moreover, the Group reduced its overall administrative and other operating expenses by actively reducing other expenses through strengthened management and cost saving.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities increased by 34.7%, from a loss of US$4.9 million for the year ended 31 December 2020 to a loss of US$6.6 million for the year ended 31 December 2021.

IMPAIRMENT LOSS ON OTHER PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR OTHER PROPERTY, PLANT AND EQUIPMENT

Due to the poor results of the Group's manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment during the year ended 31 December 2021, the Group considered it was an indication that the other property, plant and equipment for the manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment (the "Relevant PPE") and prepayments for other property, plant and equipment may be impaired. Accordingly, the Group carried out an impairment testing on the Relevant PPE and prepayments for other property, plant and equipment and noted an impairment loss of approximately US$0.4 million on the other property, plant and equipment and prepayments for other property, plant and equipment were required as at 31 December 2021.

NET FINANCE INCOME

The Group's net finance income increased by 27.3%, from US$1.1 million for the year ended 31 December 2020 to US$1.4 million for the year ended 31 December 2021. Such increase was mainly attributable to an increase in foreign exchange gains of US$0.5 million arising from fluctuation of the Vietnamese Dong against the US dollar for the Year, decrease in bank interest expense by US$0.01 million, decrease in lease liabilities interest expense by US$0.002 million and offset by decrease in bank interest income by US$0.2 million.

LOSS FOR THE YEAR AND NET LOSS MARGIN

As a result of the factors discussed above, the Group's net loss for the year ended 31 December 2021 amounted to US$5.6 million, representing a decrease of 23.3% as compared to a loss of US$7.3 million for the year ended 31 December 2021. The Group's net loss margin decreased from 8.7% for the year ended 31 December 2020 to 6.0% for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's net current assets amounted to US$45.5 million (31 December 2020: US$50.3 million) which consisted of current assets of US$105.9 million (31 December 2020: US$99.3 million) and current liabilities of US$60.4 million (31 December 2020: US$49.0 million).

As at 31 December 2021, the Group's interest-bearing loans repayable within one year was US$36.1 million (31 December 2020: US$30.5 million). As at 31 December 2021, the Group had no interest-bearing loans repayable beyond one year (31 December 2020: Nil). As at 31 December 2021, the gearing ratio was 69% (31 December 2020: 53%) calculated by dividing total bank loans by total shareholders' equity.

As at 31 December 2021, the Group's cash and bank balances (including bank deposits), amounted to US$50.6 million, which mainly included US$44.0 million denominated in Vietnamese Dong and US$6.3 million denominated in US dollar (31 December 2020: US$49.1 million, which mainly included US$37.9 million denominated in Vietnamese Dong and US$11.1 million denominated in US dollar).

KEY FINANCIAL INDICATORS

For details of the key financial performance indicators to the performance of the Group's business, please refer to "Financial Summary" on page 3 of this annual report.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2021, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2021, the Group had no material acquisition or disposal of subsidiaries and associated companies. As at the date of this report, the Group has no future plan to make any material investment in or acquisition of capital assets.

PLEDGE OF ASSETS

As at 31 December 2021, the Group did not pledge any of our assets.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnamese Dong and US dollar. The Group was not exposed to material exchange rate risk and had not employed any financial instrument for hedging purposes. The Group adopts conservative treasury policies in cash and financial management, with its cash generally placed in short-term deposits mostly denominated in Vietnamese Dong and US dollar.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments and contingent liabilities as at 31 December 2021.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan and Hong Kong, and regularly reviews its remuneration packages in light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, quality staff living quarters, training and development opportunities, medical benefits, an insurance plan and retirement benefits. As at 31 December 2021, the Group had 1,116 employees (2020: 1,293). The total amount of salaries and related costs for the year ended 31 December 2021 amounted to approximately US$11.2 million (2020: US$12.0 million).

PROSPECTS

Looking ahead to 2022, significant progress has been made in putting various pandemic preventive measures in place to revitalise the economy, through accelerated development of effective drugs and vaccination programmes. The global economy is expected to begin a recovery in 2022, as countries gradually emerge from the peak of the pandemic.

However, the overall outlook for the motorbike industry and the business environment in which the Group operates remains challenging in the coming year, with expected volatility and competition in motorbike prices, as well material prices are likely to remain high due to persistent supply chain disruptions, increased global demand, and global energy price increases. It foresees there will remain uncertainties and risks associated with the supply of production parts and short term procurement activities.

Amid the tough business environment, the Group will adhere to its operating approach of focusing on its primary business, product quality and customers' satisfaction. The Group will adopt product innovation as its key strategy to further strengthen its capabilities in product design and core technology development. In 2022, the Group plans to roll out a number of new or modified motorbike models in the Vietnamese market and ASEAN countries, including scooter, cub and electric motorbikes, so as to achieve product diversification and greater profitability, and offer consumers with environmentally-friendly and convenient products at reasonable prices and restructure the product lines to raise the proportion of high value-added products. The number of low gross profit items will be reduced to maintain reasonable profitability of products and, in turn, operations. As for sales channels, the Group will improve its "distributor licensing system" and extend the geographical coverage of its sales and services centres in order to provide its customers with better product repair and maintenance services. In regard to our manufacturing plants and facilities, as the Vietnamese government accelerated the pace of urbanisation and societal transformation, the Group has relocated the manufacturing facilities in Bien Hoa City of Dong Nai Province to Nhon Trach Industrial Zone II in 2019. The Group will continue to review the strategic function value and asset value of the manufacturing plants and facilities in Bien Hoa City of Dong Nai Province, or the potential return on land development. In addition, as disclosed in the announcement of the Company dated 14 May 2018, the Group proposed to establish a joint venture company for the purpose of investing in and development of a project of the Group in connection with the plots of land located at La Khe Ward, Ha Dong District, Hanoi City, Vietnam. The Group is still in discussion and negotiation with the relevant government authorities and the joint venture partner as to the application for the land development project and the timetable for the establishment of the joint venture company. Upon the formal documents for the approval of land development are issued by the Vietnamese government authorities, the manufacturing facilities of the Group in Ha Dong District will be moved out of their current location. The board of directors of the Company (the "Board") may consider exploring opportunities to diversity the Group's revenue streams by means of engaging in land development and/or acquisition should suitable opportunities arise.

In regards to ASEAN markets, the Group will step up further to engage in marketing and promotional activities, and to provide better after-sales services overseas. The Group will launch more motorbike models with higher unit prices to boost and stimulate the profitability of export sales. Apart from the ongoing deepening of market channels, the Group will make use of its resources for further market expansion together with industry peers and players from other industries. The Group will also introduce a range of OEM products to increase its production scale, thereby maintaining and maximising its brand benefits to achieve an overall and enhanced expansion of the Group's businesses.

In addition, the Group will seize all available development opportunities to enhance its long-term profitability and maximise returns for the shareholders of the Company (the "Shareholders").

APPLICATION OF IPO PROCEEDS

The proceeds from the issuance of new shares in the initial public offering by the Company in December 2007, net of listing expenses, were approximately US$76.7 million, which will be used in accordance with the manners stated in the prospectus of the Company (the "Prospectus") and the announcement titled "change in use of proceeds" of the Company dated 10 May 2019 (the "Announcement").

The table below sets out the detailed items of the use of proceeds from the initial public offering as at 31 December 2021:

	Net proceeds from the initial public offering as stated in the Prospectus and the Announcement Approximately in *US$' million*	**Amounts utilised as at 31 December 2021 Approximately in** *US$' million*	**Balance unutilised as at 31 December 2021 Approximately in** *US$' million*
Construction of research and development centre in Vietnam	11.7	11.7	–
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	15.0	15.0	–
Mergers and acquisitions	9.0	9.0	–
General working capital	2.7	2.7	–
Development of production sites as well as the relocation of existing production facilities	15.0	11.3	3.7
Land development	19.3	4.2	15.1
Total	76.7	57.9	18.8

The unutilized balance was placed as deposits (including bank deposits) with several reputable financial institutions. For further details, please see the paragraph above headed "Liquidity and Financial Resources".

The unutilized amount of net proceeds is expected to be fully utilized by 2027.

OUR APPRECIATION

Lastly, on behalf of the Board, I hereby express my sincere gratitude to the shareholders of the Company and the suppliers and customers of the Group for their unwavering support. We would also like to thank our dedicated staff for their hard work and contribution to the Group over last year.

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

Hong Kong, 29 March 2022

The Board is committed to maintaining high standards of corporate governance. The principles of corporate governance adopted by the Company emphasize a Board of high quality, sound internal control, transparency and accountability to all Shareholders.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2021, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviation:

Paragraphs A.5.1 and A.5.2 of the Code (which are re-numbered as Rule 3.27A of the Listing Rules and paragraph B.3 of Part 2 of the Code with effect from 1 January 2022) provides that an issuer should establish a nomination committee with specific written terms of reference for the following duties: (i) review the structure, size and composition of the Board, (ii) select and nominate individuals to be appointed as directors, (iii) assess the independence of independent non-executive directors, and (iv) make recommendation to the Board on the appointment or reappointment of directors and succession planning for directors. The Company had not set up a nomination committee as all major decisions regarding the Board composition and its members were made in consultation with the Board in which all directors of the Company would participate in the process and perform the duties of a nomination committee as contemplated in the Code. The Board considered that it was not necessary to establish a nomination committee given that the current arrangements meet the objective of the Code.

The Company has set up a nomination committee ("Nomination Committee") with its terms of reference with effect from 19 January 2022 and since then, the relevant deviation has been remediated.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2021.

THE BOARD OF DIRECTORS

The Board has a balance of skills and experience and a balanced composition of executive Directors and non-executive Directors and is responsible for the oversight of the management of the Group's business and affairs.

The principal roles of the Board are:

(a) to set the Group's objectives, strategies, policies and business plan;

(b) to monitor and control operating and financial performance by deciding the annual budget; and

(c) to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

The Board has delegated the day-to-day operational responsibilities to the executive Directors and senior management of the Company. The executive Directors and senior management of the Company, who meet on a regular basis and are accountable to the Board, collectively make principal management decisions according to the delegated authorities from the Board.

COMPOSITION OF THE BOARD

The members of the Board for the year ended 31 December 2021 and as at the date of this annual report are:

Executive Directors

Mr. Liu Wu Hsiung *(Chairman)*
Mr. Huang Tsung Yeh *(Chief Executive Officer)* (appointed on 28 March 2022)
Mr. Lin Chun Yu
Mr. Cheng Hsu Chi *(Chief Executive Officer)* (appointed on 22 April 2021 and resigned on 24 March 2022)
Mr. Lin Chih Ming *(Chief Executive Officer)* (resigned on 22 April 2021)

Non-executive Directors

Mr. Chiang Chin Yung (re-designated on 1 September 2021)
Mr. Chen Hsu Pin (appointed on 22 April 2021)
Ms. Wu Li Chu
Mr. Chiu Ying Feng (resigned on 22 April 2021)

Independent Non-executive Directors

Ms. Lin Ching Ching
Ms. Wu Kwei Mei
Mr. Cheung On Kit Andrew
Mr. Shen Hwa Rong (resigned on 30 June 2021)

The Directors (including the chairman and the chief executive officer) have no financial, business, family or other material/relevant relationships with each other. The biographical details of the current Directors are set out in the "Directors and Senior Management Profile" section on pages 18 to 19 of this annual report.

The Company has also maintained on its website and that of the Stock Exchange an updated list of the Directors identifying their roles and functions. The independent non-executive Directors are explicitly identified in all of the Company's corporate communications.

BOARD MEETINGS AND GENERAL MEETINGS

A Board meeting is held at least quarterly, and more frequently as and when business or operational needs arise. The Board meetings are also held whenever necessary to discuss various corporate matters including corporate actions, new major investments and significant changes in regulatory requirements that affect the Group. Board meetings are also held to discuss and review the quarterly, interim and annual results of the Group before the publication of results announcements, and to discuss and approve the Group's annual budget and business plans.

10 Board meetings and 2 general meetings (including annual general meeting and extraordinary general meetings) were held during the year ended 31 December 2021. The attendance record of each Director at the Board meetings and the general meetings is set out in the table below:

	Number of Attendance/ Number of Meetings During Tenure	
Name of Directors	**Board meetings**	**General meetings**
Mr. Liu Wu Hsiung	10/10	2/2
Mr. Lin Chun Yu	10/10	2/2
Mr. Chiang Chin Yung	10/10	2/2
Mr. Chen Hsu Pin (appointed on 22 April 2021)	7/7	0/2
Ms. Wu Li Chu	8/10	0/2
Ms. Lin Ching Ching	10/10	2/2
Ms. Wu Kwei Mei	10/10	1/2
Mr. Cheung On Kit Andrew	10/10	2/2
Mr. Cheng Hsu Chi (appointed on 22 April 2021 and resigned on 24 March 2022)	7/7	2/2
Mr. Lin Chih Ming (resigned on 22 April 2021)	2/2	0/0
Mr. Chiu Ying Feng (resigned on 22 April 2021)	2/2	0/0
Mr. Shen Hwa Rong (resigned on 30 June 2021)	4/4	0/1

Minutes of Board meetings and Board committee meetings are recorded in appropriate detail and are kept by the Company appropriately. Draft minutes are circulated to the Directors for comment within a reasonable period of time after each meeting and the final version is open for the Directors' inspection. If necessary, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expense.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code paragraph A.2.1 of the Code (which is re-numbered as paragraph C.2.1 of Part 2 of the Code with effect from 1 January 2022), the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. As at the date of this report, the Chairman and chief executive officer of the Company are Mr. Liu Wu Hsiung and Mr. Huang Tsung Yeh respectively.

The roles and responsibilities of the chairman and the chief executive officer of the Company are separated so as to ensure a balance of power and authority. This balance ensures that all matters brought before the Board are fully and objectively discussed, taking into account the interests of Shareholders as a whole, including in particular, those of the minority Shareholders.

TERM OF NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors (including the independent non-executive Directors) is appointed for a specific term of three years, subject to re-election at annual general meetings of the Company in accordance with the articles of association of the Company.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules and considers them are independent.

BOARD COMMITTEES

The Company currently maintains three board committees (namely the audit committee, the remuneration committee and the nomination committee) with defined terms of reference which are posted on the websites of the Company and the Stock Exchange.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") which consists of two independent non-executive Directors and one executive Director. The members of the Remuneration Committee for the year ended 31 December 2021 were Ms. Lin Ching Ching (Chairman), Ms. Wu Kwei Mei and Mr. Liu Wu Hsiung.

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management of the Company. The Remuneration Committee's authorities and duties are set out in its written terms of reference.

The terms of reference of the Remuneration Committee are aligned with the relevant provisions under the Code. The primary duties of the Remuneration Committee include:

(a) considering and recommending the Board on the Company's policy and structure of remuneration of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;
(b) recommending the Board on the specific remuneration packages of the executive Directors and senior management of the Company;
(c) recommending for the Board's approval the remuneration of the non-executive Directors;
(d) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
(e) reviewing and approving the compensation payable to the executive Directors and senior management of the Company in connection with any loss or termination of their office or appointment; and
(f) reviewing and approving compensative arrangements relating to dismissal or removal of Directors for misconduct.

During the year ended 31 December 2021, the Remuneration Committee held four meetings. The Remuneration Committee recommended to the Board on the overall remuneration policy and structure relating to executive Directors and senior management of the Company and ensure none of the Directors determine their own remuneration.

The individual attendance record of each members of the meetings of the Remuneration Committee during the year ended 31 December 2021 is set out below:

Name of Directors	Number of Attendance/ Number of Committee Meetings During Tenure
Mr. Lin Ching Ching	4/4
Mr. Wu Kwei Mei	4/4
Mr. Liu Wu Hsiung	4/4

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") which consists of three independent non-executive Directors. The members of the Audit Committee for the year ended 31 December 2021 were Ms. Lin Ching Ching (Chairman), Ms. Wu Kwei Mei and Mr. Cheung On Kit Andrew.

The terms of reference of the Audit Committee are aligned with the relevant provisions set out in the Code. The primary duties of the Audit Committee include:

(a) considering the appointment of external auditors and any questions of resignation or dismissal;
(b) discussing with external auditors before the audit commences, the nature and scope of the audit;
(c) reviewing interim and annual financial statements before submission to the Board;
(d) discussing problems and reservations arising from the audits, and any matters the external auditors may wish to discuss; and
(e) considering and reviewing the Company's financial report, risk management and internal control systems.

During the year ended 31 December 2021, the Audit Committee held four meetings. The Audit Committee met with the external auditors to discuss and review areas of concern, risk management and internal control system, and reviewed the interim and annual financial statements of the Group before submission to the Board. The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group and discussed risk management and internal control and financial reporting matters including the review of the audited financial statements, the interim and annual reports. The Audit Committee received comprehensive reports from the management and the internal and external auditors of the Company for the meetings held.

The individual attendance record of each member at the meetings of the Audit Committee during the ended 31 December 2021 is set out below:

Name of Directors	Number of Attendance/ Number of Committee Meetings During Tenure
Ms. Lin Ching Ching	4/4
Ms. Wu Kwei Mei	4/4
Mr. Cheung On Kit Andrew (appointed on 30 June 2021)	2/2
Mr. Shen Hwa Rong (resigned on 30 June 2021)	2/2

The annual results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements.

NOMINATION COMMITTEE

During the year ended 31 December 2021, the Company had not set up a nomination committee as all major decisions regarding Board composition and its members were made in consultation with the Board in which all Directors will participate in the process and perform the duties of a nomination committee as contemplated in the Code. As and when circumstances required, the Board will hold Board meeting to discuss nomination of new Directors. In considering the suitability of a candidate for directorship, the Board will base on objective criteria, a balance of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of Board members of diversity, as well as the requirements under the Listing Rules for appointment of Directors.

The Company has set up a Nomination Committee with its terms of reference with effect from 19 January 2022. For details, please refer to the Company's announcement dated 19 January 2022.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. For the year ended 31 December 2021, the Board considers has made progress on achieving diversity of the Board by including members of different gender and education background and professional qualifications.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the remunerations paid or payable to KPMG, the external auditor of the Company, in respect of its audit services and non-audit services are US$353,465 (2020: US$392,571) and US$4,624 (2020: US$5,639), respectively. The non-audit services for the year of 2021 mainly consist of tax consultancy services.

COMPANY SECRETARY

During the year ended 31 December 2021, Ms. Ng Wing Shan ("Ms. Ng") was the company secretary of the Company. She was the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Ng was resigned as the company secretary of the Company on 4 March 2022 and Ms. Lee Angel Pui Shan ("Ms. Lee") was appointed as the company secretary of the Company as Ms. Ng's replacement on the same day. Ms. Ng's and Ms. Lee's primary contact person with the Company has been Mr. Lin Chun Yu, the executive Director and the chief financial officer of the Company.

Ms. Ng has confirmed that she has taken no less than 15 hours of relevant professional training for the year ended 31 December 2021.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the Group keeps proper accounting records with reasonable accuracy of the financial position of the Group at the relevant time. The Directors are also responsible for ensuring that the preparation of the financial statements of the Group for the relevant accounting periods are in compliance with applicable statutory and regulatory requirements and that such financial statements give a true and fair view of the financial position, the financial performance and cashflows of the Group.

In preparing the financial statements of the Group for the year ended 31 December 2021, suitable accounting policies have been adopted and applied consistently. The Board is not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue in business. The financial statements of the Group for the reporting year have been prepared on a going concern basis.

PERFORMANCE OF CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties set out in paragraph D.3.1 of the Code (which is re-numbered as paragraph A.2.1 of Part 2 of the Code with effect from 1 January 2022). During the year ended 31 December 2021, the Board had reviewed the Group's policies and practices on corporate governance and compliance with legal and regulatory requirements including monitors the Group of compliance with the corporate governance code during the year ended 31 December 2020 and the disclose in the corporate governance report. The Board also reviewed the training and continuous professional development of Directors and senior management of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has set up the Internal Audit Department to perform internal audit function and the Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic business objectives, and ensuring the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board also reviews and monitors the effectiveness of the internal control and risk management systems at least annually to ensure that the systems in place are adequate. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the risk management and internal control system of the Group for the year ended 31 December 2021, covering financial, operational and legal compliance controls and risk management system. The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted regularly. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations. In addition, the Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and internal audit and financial reporting function. For the year ended 31 December 2021, the management of the Company has confirmed to the Board that the risk management and internal control systems of the Company are effective and adequate.

The Group recognises that good risk management is essential for the long-term development on the Group's business. The management of the Company is responsible for establish, implement, review and evaluate the sound and effective internal control system underpinning the risk management framework. All employees are committed to implement the risk management framework into the daily operation.

The internal audit reports ("IA Reports") were issued by the management of the Company to the Audit Committee and the Board for review of the adequacy and effectiveness of the internal audit function. The issues raised in the IA Reports would be addressed and managed promptly by the management of the Company, and the Audit Committee and the Board are satisfied that there are adequate risk management and internal control systems in the Company.

Process used to identify, evaluate and manage significant risks

During the process of risk assessment, the management of the Company is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities. In the event of significant internal control deficiencies, the management of the Company will report to the Audit Committee and the Board in a timely manner to ensure that the deficiencies are promptly addressed on a timely basis.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. And the newly appointed Directors were given an induction after their appointment so as to ensure that they have appropriate understanding of the Group's business and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

All Directors confirmed that they have complied with the code provision A.6.5 of the Code (which is re-numbered as paragraph C.1.4 of Part 2 of the Code with effect from 1 January 2022) regarding the requirement on Directors' training.

During the year ended 31 December 2021, the continuing professional development participated by the Directors is summarized as follows:

Name of Directors	Reading materials or participating course, seminar and online debriefs regarding taxation, compliance, and global economic development
Mr. Liu Wu Hsiung	✓
Mr. Lin Chun Yu	✓
Mr. Chiang Chin Yung	✓
Mr. Chen Hsu Pin	✓
Ms. Wu Li Chu	✓
Ms. Lin Ching Ching	✓
Ms. Wu Kwei Mei	✓
Mr. Cheung On Kit Andrew	✓
Mr. Cheng Hsu Chi	✓
Mr. Lin Chih Ming	✓
Mr. Chiu Ying Feng	✓
Mr. Shen Hwa Rong	✓

SAFEGUARDING THE INTERESTS OF INDEPENDENT SHAREHOLDERS

Mechanisms are in place to safeguard the interests of independent Shareholders in the decision making process in relation to (i) the deed of non-competition dated 26 November 2007 entered into between Sanyang Motor Co., Limited, the then executive and non-executive Directors (collectively, the "Covenantors") and the Company (the "Deed of Non-competition"); and (ii) the continuing connected transactions entered into by the Group, as described below.

DEED OF NON-COMPETITION

The independent non-executive Directors are to review whether or not to pursue any investment or other commercial opportunity referred to the Company by any of the Covenantors under the Deed of Non-competition (to the extent such opportunity arises and is referred by the Covenantors).

For the year ended 31 December 2021, each of the Covenantors also declares that it/he/she has complied with the Deed of Non-competition. Having made specific enquiries with all of the Covenantors, the independent non-executive Directors confirmed the Covenantors' compliance with the Deed of Non-competition for the year ended 31 December 2021.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions entered into by the Group for the year ended 31 December 2021 were based on normal commercial terms, in the ordinary and usual course of business of the Group and were conducted on a fair and reasonable basis.

The independent non-executive Directors reviewed the terms of the continuing connected transactions entered into by the Group during the year ended 31 December 2021 to ensure that the terms of such transactions were in the best interests of the Company and the Shareholders as a whole.

The Company's external auditor, KPMG, reviewed the continuing connected transactions entered into by the Group during the year ended 31 December 2021 and provided a letter to the Board confirming (i) the matters set out in Rule 14A.56 of the Listing Rules; and (ii) that the amounts for the relevant continuing connected transactions have not exceeded the relevant proposed annual caps.

Details of the continuing connected transactions entered into by the Group during the year ended 31 December 2021 are set out on pages 25 to 27 of this annual report.

INVESTOR AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the Shareholders and the Company's investors. The Board also recognizes that effective communication with the Company's investors is the key to establishing investor confidence and attracting new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the Company's investors and the Shareholders are receiving accurate, clear, comprehensive and timely information relating to the Group via the publication of annual reports, interim reports, quarterly reports, announcements and circulars on the website of the Stock Exchange, and also via the Company's website at www.vmeph.com.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's strategies, operations, management and plans. The Directors and the committee members are available to answer questions in the annual general meeting of the Company. External auditors are also available at such annual general meeting to address Shareholders' queries. Separate resolutions are proposed at such annual general meeting on each substantially separate issue.

SHAREHOLDERS' RIGHTS

Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, for the attention of the Board.

(a) Procedures for Shareholders to convene an extraordinary general meeting ("EGM")

The Board shall, on the requisition in writing of one or more Shareholders holding at the date of deposit of requisition of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid; and the EGM shall be held within two months after the deposit of such requisition. The written request, stating the objects of the EGM and signed by the Shareholders concerned, should be deposited at the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, for the attention of the Board. If within twenty-one days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s) or any of them representing more than one half of the total voting rights of all of them, may themselves convene a EGM, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(b) Procedures for putting forward proposals at shareholders' meeting

There are no provisions under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures for convening an EGM in putting forward proposals at a general meeting.

Pursuant to Article 88 of the Company's Articles of Association, no person other than a retiring director shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting, unless a Shareholder other than the person to be proposed shall have given a notice in writing of the intention to propose that person for election as a Director and also a notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than 7 days prior to the date of such meeting, provided that the minimum length of such notice period shall be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

(c) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar. Shareholders and potential investors of the Company may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the company secretary of the Company, at the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2021.

The following sets out the profile of the directors of the Company and senior management of the Group as at the date of this annual report:

DIRECTORS

Executive Directors

Mr. Liu Wu Hsiung (劉武雄), aged 57, was appointed as an executive Director and the chairman of the Board of the Company on 16 May 2015. Mr. Liu is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Liu has been a director of Taisun Int'l (Holding) Corp. (a listed company on the Taiwan Stock Exchange) since 29 June 2020. Mr. Liu was a non-executive Director of the Company from November 2007 to January 2012. Mr. Liu joined the Group in 1996 and worked from 1996 to 1999 in the sales department of VMEP, a major subsidiary of the Company. Prior to joining the Group, Mr. Liu had also worked in various departments of Sanyang Motor Co., Ltd. ("Sanyang", together with its subsidiaries, the "Sanyang Group"), the ultimate holding company of the Company, including strategic planning and overseas market management from 1988 onwards, he became the vice general director of the overseas business division of Sanyang from 2006 to 2009, and the general manager of Sanyang Motor Vietnam Co., Ltd. from 2009 to May 2015. Mr. Liu has over 30 years of experience in the motor vehicle industry which he has acquired through his work experience and leadership role at the Group and Sanyang. Mr. Liu graduated from Feng Chia University in Taiwan with a bachelor's degree in international trade in 1986. He also holds a master's degree in business administration from the Cheng Chi University in Taiwan and an executive master degree in business administration (EMBA) from the Taiwan University respectively.

Mr. Huang Tsung Yeh (黃宗業), aged 57, was appointed as an executive Director in March 2022. Mr. Huang is currently the chief executive officer of the Company and the director and general manager of the Company's subsidiaries, Vietnam Manufacturing and Export Processing Company Limited and Chin Zong Trading Company Limited. Prior to joining the Group, Mr. Huang worked in the Company's holding company, Sanyang including serving as a senior officer and assistant vice president in the product development, product design and research and developments department of Sanyang and several subsidiaries of Sanyang Group from 1987 onwards. Mr. Huang has over 30 years of experience in the motor vehicle industry. Mr. Huang received his undergraduate degree in mechanical engineering from Taiwan University of Science and Technology in 1991.

Mr. Lin Chun Yu (林俊宇), aged 47, was appointed as an executive Director of the Company in April 2016. Mr. Lin has over 20 years of experience in the audit and finance field and has held senior financial and administration management positions in various companies. Mr. Lin joined the Group in June 2015, and is currently the chief financial officer of the Company and the head of the finance department of various major subsidiaries of the Group, including VMEP and Vietnam Casting Forge Precision Limited ("VCFP") and the assistant vice president in the real estate development department of VMEP. Before joining the Group in June 2015, he was the finance manager of Sanyang Motor Vietnam Co., Ltd., a subsidiary of Sanyang. which is the ultimate holding company of the Group, from 2010 to 2015. Mr. Lin graduated from the Fu Jen Catholic University in Taiwan with a bachelor degree in accounting in 1997.

Non-executive Directors

Mr. Chiang Chin Yung (江金鏞), aged 70, was appointed as an executive Director of the Company in August 2018 and re-designated as a Non-executive Director on 1 September 2021. Mr. Chiang acts as the director of the subsidiaries of the Group, namely VCFP currently. Prior to joining the Group, Mr. Chiang worked in Sanyang from 1974 onwards and mainly responsible for finance, accounting, and administration of Sanyang Group. He served as a vice president in finance sector and administration sector of Sanyang for the period from 2003 to 2016 and retired from Sanyang Group on December 2016. He has over 40 years of experience in the motor vehicle and motorcycle industry acquired through his work experience at Sanyang Group.

Mr. Chen Hsu Pin (陳旭斌), aged 65, was appointed as a non-executive Director in April 2021. He has over 35 years of experience in the motor vehicle industry which he has acquired through his work experience and leadership role at Sanyang Group. He has joined Sanyang Group since 1983, and had worked in various departments of Sanyang Group including research and development, sales, management and marketing. He was the general manager of Sanyang's subsidiaries, namely, Xiamen Xiashing Motorcycle Co., Ltd and Three Brothers Machinery Industrial Co., Ltd. Mr. Chen is the vice president in president office of Sanyang and a director of a few subsidiaries of Sanyang. He graduated from the Chung Yuan Christian University, Taiwan with an undergraduate degree in mechanical engineering in 1979 and the Chiao Tung University, Taiwan with a master degree in mechanical engineering in 1983.

Ms. Wu Li Chu (吳麗珠), aged 56, was appointed as an executive Director of the Company in August 2015 and re-designated as a non-executive Director of the Company on 27 June 2016. She is currently the vice chairman of Sanyang and a director of various subsidiaries of Sanyang Group. She has also worked as the finance manager at Jiou Ding Construction Co., Ltd., and finance and administration officer at Ying Cheng Construction Co., Ltd. Ms. Wu has over 25 years of experience in finance, administration and management by holding leader positions in companies in the construction and manufacturing industry in Taiwan.

Independent non-executive Directors

Ms. Lin Ching Ching (林青青), aged 57, was appointed as an independent non-executive Director of the Company in November 2007. Ms. Lin is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. Ms. Lin was the supervisor of Sea Sonic Electronics Co., Ltd. (a publicly-traded company on the Taiwan Stock Exchange) from June 2017 to June 2020. Ms. Lin has over 25 years of experience in the finance industry and has held senior financial management positions in various companies, including Deloitte & Touche, Corporate Finance Co., Ltd. and Citibank, N.A., Taipei. She graduated from Eastern Michigan University with a master's degree in business administration in 1991 and graduated from Fu Jen Catholic University in Taiwan with a bachelor's degree in accounting in 1987.

Ms. Wu Kwei Mei (吳貴美), aged 78, was appointed as an independent non-executive Director of the Company in August 2013, and she is also a member of the Remuneration Committee and the Audit Committee. Ms. Wu worked in the Department of Mathematics at the Taiwan University as an associate professor and an instructor from 1972 to 2009. She received a bachelor's degree in Mathematics from the Taiwan University in 1965 and a master's degree in Mathematics from the University of New Orleans in the United States in 1967.

Mr. Cheung On Kit Andrew (張安杰), aged 42, was appointed as an independent non-executive Director of the Company in September 2020. Mr. Cheung is also a member of the Audit Committee and the Nomination Committee. Mr. Cheung is an executive director and a responsible officer (Type 1 - dealing in securities and Type 6 - advising on corporate finance regulated activities) of Opus Capital Limited. Mr. Cheung has over 17 years of experience in the financial industry spanning across corporate finance advisory, mergers and acquisitions advisory and financial analysis. Mr. Cheung is a member of Chartered Accountants Australia and New Zealand and is a fellow of the Hong Kong Securities and Investment Institute and a committee member of its Individual Membership Outreach Committee. Prior to joining Opus Capital Limited, Mr. Cheung held senior execution positions with CCB International Capital Limited and Oceanwide Capital Limited (currently known as China Tonghai Capital Limited), the investment banking arm of China Oceanwide International Financial Limited (currently known as China Tonghai International Financial Limited) (stock code: 952). Before that, he was an associate director at Somerley Capital Limited, the principal subsidiary of Somerley Capital Holdings Limited (stock code: 8439) from 2010 to 2017. Mr. Cheung had also worked in the mergers and acquisitions department of KPMG Hong Kong and Deloitte's corporate finance departments in Australia and Singapore between 2007 and 2009. Mr. Cheung obtained his Master of Commerce (Funds Management) at The University of New South Wales, Australia. He also received his Bachelor of Commerce (Accounting)/ Bachelor of Business Administration at Macquarie University, Australia.

COMPANY SECRETARY

Ms. Lee Angel Pui Shan (李謝佩珊) was appointed as the company secretary of the Company from 4 March 2022. Ms. Lee is a corporate secretarial executive of SWCS Corporate Services Group (Hong Kong) Limited ("SWCS") and has extensive company secretarial professional experience. Ms. Lee holds a bachelor's degree in accounting. She is certified public accountant of The Hong Kong Institute of Certified Public Accountants, and an associate member of The Chartered Governance Institute. Before joining SWCS, she worked for Ernst & Young (Hong Kong and Beijing), participated in a number of Chinese overseas listings, and was also responsible for many internal control projects to meet the requirements of Hong Kong and overseas listings.

SENIOR MANAGEMENT

Mr. Chen Hsin Te(陳信德), aged 56, the assistant vice president of production department of VCFP. Mr. Chen joined the Group in 2021 and has over 30 years of experience in the production of vehicles and motorbikes. He graduated from Taiwan University of Science and Technology with a degree in fiber engineering in 1991.

Mr. Du Yung Hao (杜永豪), aged 51, is the assistant vice president of marketing division of VMEP. Mr. Du joined the Group in 2018 and has over 20 years of experience in marketing and sale of motorbikes and parts. He graduated from the Leeming Institute of Technology in Taiwan with a degree in mechanical engineering in 1998.

Mr. Tsai Yu Tsai (蔡有財), age 64, is the assistant vice president of quality control management department of VMEP. Mr. Tsai joined the Group in 1999 and has over 35 years of experience in the production of motorbikes. He graduated from the Kai Nan High School of Commerce and Industry in Taiwan with a degree in mechanical engineering in 1973.

Ms. Wu Jui Chiao (吳睿蕎), aged 39, is the assistant vice president of president's office of VMEP. Ms. Wu joined the Group in 2017 and has extensive experience in management. She graduated from the United University in Taiwan with a bachelor's degree of safety, health and environmental engineering in 2004.

Mr. Yang Wen Te (楊文德), aged 52, is the vice president of VCFP. Mr. Yang joined the Group in 2010 and has over 30 years of experience in the production of vehicles and motorbikes. He graduated from the Youth Senior High School in Taiwan with a degree in auto mechanics in 1988.

Details of the Directors' remunerations are set out in note 8 to the financial statements. Remunerations of senior management per above were within the range of nil to HK$1 million, please also referred to note 9 to the financial statements.

The Board hereby present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021.

DIRECTORS

The Directors of the Company for the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors

Mr. Liu Wu Hsiung *(Chairman)*
Mr. Huang Tsung Yeh *(Chief Executive Officer)* (appointed on 28 March 2022)
Mr. Lin Chun Yu
Mr. Cheng Hsu Chi *(Chief Executive Officer)* (appointed on 22 April 2021 and resigned on 24 March 2022)
Mr. Lin Chih Ming *(Chief Executive Officer)* (resigned on 22 April 2021)

Non-executive Directors

Mr. Chiang Chin Yung (re-designated on 1 September 2021)
Mr. Chen Hsu Pin (appointed on 22 April 2021)
Ms. Wu Li Chu
Mr. Chiu Ying Feng (resigned on 22 April 2021)

Independent Non-executive Directors

Ms. Lin Ching Ching
Ms. Wu Kwei Mei
Mr. Cheung On Kit Andrew
Mr. Shen Hwa Rong (resigned on 30 June 2021)

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the Group are manufacturing and sale of motorbikes, related spare parts and engines and provision of motorbike maintenance services. Particulars of the principal activities of the Company's major subsidiaries are set out in note 28 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Management Discussion and Analysis set out on pages 4 to 9 of this annual report. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the financial statements on pages 54 to 100 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2021: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The payment of dividend is also subject to any restrictions under the applicable laws and the requirements of the articles of association of the Company. In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company.

The dividend policy of the Company will continue to be reviewed from time to time and there is no assurance that any dividend will be paid in any particular amount for any given period or that the Company is obliged to declare any dividend at any time or from time to time.

FINANCIAL SUMMARY

A financial summary of the results and the financial position of the Group for the last five financial years for the year ended 31 December 2021 is set out on page 3 on this annual report.

OTHER PROPERTY, PLANT AND EQUIPMENT

Details of movements in the other property, plant and equipment of the Group during the Year are set out in note 11 to the financial statements.

BANK LOANS

Details of bank loans are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the Group's registered and issued share capital for the year ended 31 December 2021 are set out in note 21 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company or the Companies Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2021 are set out in note 21 to the financial statements and in the consolidated statement of changes in equity, respectively. The Company's reserves available for distribution to Shareholders as at 31 December 2021 was US$50,549,370.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 66.7% of the Group's total turnover. The amount of sales to the Group's largest customer represented 32.6% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 47.4% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 32.5% of the Group's total purchases.

Among them, Xiamen Xiashing Motorcycle Co., Ltd. (a subsidiary of Sanyang Motor Co., Ltd. ("Sanyang"), the ultimate controlling shareholder of the Group), Vietnam Three Brothers Machinery Industry Co., Limited (an associate of the Company and a non-wholly owned subsidiary of Sanyang) and Sanyang were the top three suppliers of the Company respectively.

Save as disclosed above, none of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

The Group has maintained close relationships with a number of suppliers and takes great care to ensure that they share the Group's commitment on quality and ethics. The Group carefully selects and requires the suppliers to satisfy certain assessment criteria including, experience, reputation, ability to produce high-quality products and quality control effectiveness.

The Group is committed to offer a wide range of motorbikes models and motorbike engines and parts to its customers. The Group has also been aiming to provide quality services to its clients in order to maintain continuous relationship. The Group stays connected with its customers. The Group maintains communications with its customers through various channels like the Company's website, telephone, direct mail and marketing materials.

RELATIONSHIP WITH EMPLOYEES

The Group understands that employees are valuable assets to the Group and on which the Group's success depends. The Group provides competitive remuneration packages to attract and motivate the employees. The Group regularly reviews the remuneration packages of employees and makes necessary adjustments to conform with the market standard. The Group also places emphasis on the training and development of staff. In particular, the Group focuses on the training of management and key personnel to develop their management and decision-making abilities to enhance their work performance.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes participated by the Group are set out in note 6(b) to the consolidated financial statements.

DONATIONS

For the year ended 31 December 2021, the Group made charitable and other donations amounted to about US$69,400.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2021, as far as the Company is aware, there is no material breach of or non-compliance with applicable laws and regulations by the Group which has a significant impact on its business and operations.

RETIREMENT OF DIRECTORS

Pursuant to article 87(1) of the articles of association of the Company, one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Further, article 86(3) of the articles of association of the Company, provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A circular containing the detailed information of the retiring Directors at the forthcoming annual general meeting will be sent in accordance with articles of association of the Company and the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the current Directors and senior management of the Group are set out in the section headed "Directors and Senior Management Profile" in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Directors, and independent non-executive Directors has entered into a service contract with the Company. None of the Directors have entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remuneration is determined by the Board with reference to the Company's operating results, individual performance and comparable market statistics. Details of the Directors' remuneration are set out in note 8 to the financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the connected transactions and the related party transactions during the year ended 31 December 2021 are set out on page 25 and page 95 of this annual report respectively. Save as disclosed in this report, none of the Directors or any entity connected with the Directors or controlling shareholders of the Company or its subsidiaries had a material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies, was a party, which subsisted at the end of the Year or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

For the year ended 31 December 2021, no rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, granted to any Director or their respective spouses or minor children aged under 18, or were such rights exercised by them, or was the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies a party to any arrangement to enable the Directors to acquire such benefits through such means.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company 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 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 those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows.

Interests and short positions in the shares of the Company

Name of directors	Types of shares	Capacity	Number of shares held *(shares)*	Approximate percentage of total share capital *(%)*
Mr. Cheng Hsu Chi	Ordinary Shares	Interest of spouse[1]	44,000 (L)	0.005%

(L) – Long position

Interests and short positions in the shares of Sanyang Motor Company Limited

Name of Directors	Types of Shares	Capacity	Number of Shares held *(shares)*	Approximate percentage of total share capital *(%)*[2]
Mr. Liu Wu Hsiung	Ordinary Shares	Beneficial Owner	111,380 (L)	0.014%
Mr. Cheng Hsu Chi	Ordinary Shares	Beneficial Owner	18 (L)	0.000%
Mr. Chiang Chin Yung	Ordinary Shares	Beneficial Owner	80,480 (L)	0.010%
Ms. Wu Li Chu	Ordinary Shares	Beneficial Owner	17,046,560 (L)	2.137%

(L) – Long position

Note:

1. Mr. Cheng Hsu Chi's spouse, Ms. Ku Hsiu Ling, has 22,000 units Taiwan Depositary Receipt of the Company, equivalent to 44,000 shares of the Company. Mr. Cheng is deemed to be interested in the shares of the Company held by his spouse Ms. Ku Hsiu Ling under Part XV of the SFO.

2. The calculation is based on the total number of 797,639,604 shares of Sanyang Motor Company Limited in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, so far as is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 those taken or deemed as their interest and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2021, so far as known to the Company after reasonable enquiry, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

Name of Substantial Shareholders	Types of Shares	Capacity	Number of Shares/ underlying shares held *(shares)*	Approximate percentage of total share capital *(%)*
Sanyang Motor Company Limited	Ordinary Shares	Interest in controlled corporation	608,818,000 (L)	67.07%
SY International Ltd.[1]	Ordinary Shares	Beneficial owner	608,818,000 (L)	67.07%

(L) – Long position

Note:

1. SY International Ltd. is a direct wholly-owned subsidiary of Sanyang Motor Company Limited and therefore Sanyang Motor Company Limited is deemed to be interested in the shares of the Company held by SY International Ltd. under Part XV of the SFO.

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any other person (other than Directors or chief executive of the Company) have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, none of the Directors has any interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES FACING BY THE GROUP

The Group recognizes the importance of risk management practices. Thus, it endeavors its best to mitigate its exposure to operating and financial risks in an effective and efficient manner.

The principal risks and uncertainties facing by the Group include the risks pertaining to the motorbike industry in Vietnam. In recent years, the motorbike industry in Vietnam has been affected by unfavorable factors such as market situation changes and intensified competition among peers. The future competition of the industry is largely reflected in the all-round business competition.

The analysis of financial risk management objectives and policies of the Group is set out in note 22 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

The Group's related parties transactions for the year ended 31 December 2021 are set out in note 24 to the consolidated financial statements constitute the continuing connected transactions (as defined in Chapter 14A of the Listing Rules) and the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

Details of the continuing connected transactions of the Group with Sanyang and the Sanyang Group (which are the substantial shareholders of the Company) are as follows:

Continuing connected transactions which are subject to the reporting, announcement requirements and independent Shareholders' approval requirements

	2021	2020
	US$	*US$*
Master Purchase Agreement [1]	**36,739,991**	14,882,963
Distributorship Agreement [2]	**3,848,310**	2,523,287
Technology Licence Agreement [3]	**681,197**	1,104,521

Notes:

1. On 12 November 2018, the Group and the Sanyang Group entered into the Master Purchase Agreement in relation to purchase of motorbike parts by the Group from members of the Sanyang Group. On 23 June 2020 and 29 October 2021, the original annual caps were revised to the amounts of US$11,100,000, US$25,070,000 and US$43,500,000 in 2019, 2020 and 2021 respectively. Details of the Master Purchase Agreement were set out in the circulars of the Company dated 10 January 2019 (the "2019 Circular"), 13 May 2020 (the "2020 Circular") and 24 September 2021.

2. On 12 November 2018, the Group and the Sanyang Group entered into the Distributorship Agreement in relation to the Group as the exclusive distributor of motorbikes and related parts manufactured by Sanyang Group in all of the member countries of the Association of South East Asian Nations (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes). On 23 June 2020, the original annual caps were revised to the amounts of US$3,301,000, US$5,587,000 and US$15,187,000 in 2019, 2020 and 2021 respectively. Details of the Distributorship Agreement were set out in the 2019 Circular and the 2020 Circular of the Company.

3. On 26 November 2007, VMEP, a subsidiary of the Group and Sanyang entered into the Technology Licence Agreement in relation to license of technology, know-how, trade secrets and production information by Sanyang to VMEP. In accordance with the Technology Licence Agreement, the annual cap shall be US$2,580,000, US$2,710,000 and US$2,770,000 in 2019, 2020 and 2021 respectively. Details of the Technology Licence Agreement were set out in the 2019 Circular of the Company.

Continuing connected transactions which are subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement

	2021 US$	2020 US$
Research and Development Agreement [1]	54,000	59,555
Parts Sales Agreement [2]	993,671	548,661
Production Machinery, Moulds and Equipment Purchase Agreement [3]	281,981	139,111

Notes:

1. On 12 November 2018, the Group and the Sanyang Group entered into the Research and Development Agreement in relation to provision of research and development and technical support services by Sanyang Group to the Group. In accordance with the Research and Development Agreement, the annual cap shall be US$720,000, US$1,710,000 and US$800,000 in 2019, 2020 and 2021 respectively. Details of the Research and Development Agreement were set out in the Company's announcement dated 12 November 2018.

2. On 12 November 2018, the Group and the Sanyang Group entered into the Parts Sales Agreement in relation to sale of motorbike parts by the Group to Sanyang Group. On 26 April 2019, the original annual caps were revised to the amounts of US$1,550,000, US$990,000 and US$1,140,000 in 2019, 2020 and 2021 respectively. Details of the Parts Sales Agreement were set out in the Company's announcements dated 12 November 2018 and 26 April 2019.

3. On 12 November 2018, the Group and the Sanyang Group entered into the Production Machinery, Moulds and Equipment Purchase Agreement in relation to purchase of production machinery, moulds and equipment by the Group from Sanyang Group. In accordance with such purchase agreement, the annual cap shall be US$600,000, US$1,510,000 and US$1,780,000 in 2019, 2020 and 2021 respectively. Details of the Production Machinery, Moulds and Equipment Purchase Agreement were set out in the Company's announcement dated 12 November 2018.

The continuing connected transactions disclosed above complied with the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirements (as the case may be) under Chapter 14A of the Listing Rules.

For the year ended 31 December 2021, the actual transaction amount for each of the abovementioned continuing connected transactions has not exceeded the respective annual cap of the relevant transactions as approved by the Board or the independent Shareholders (as the case may be).

The independent non-executive Directors have reviewed the above continuing connected transactions in accordance with Rule 14A.55 of the Listing Rules, and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 25 to 27 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The details of related party transactions are set out in note 24 to the consolidated financial statements. None of the related party transactions under the definition of connected transaction or constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

The Company confirms that its continuing connected transactions conducted during the year ended 31 December 2021 has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

As the existing agreements relating to the continuing connected transactions (except for the Technology Licence Agreement) expired on 31 December 2021, the Company had, on 3 December 2021, entered into new agreements in relation to the Continuing Connected Transactions (except for the Technology Licence Agreement) each with a term of three years ending on 31 December 2024. The Board also proposes the annual caps for the transactions contemplated under each of the continuing connected transactions (including transactions under the Technology Licence Agreement) for the three years ending 31 December 2022, 2023 and 2024. On 15 March 2022, an extraordinary general meeting of the Company was held and the resolutions in relation to Master Purchase Agreement, Distribution Agreement and Research and Development Agreement, such transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2022, 2023 and 2024 were passed. For details, please refer to the Company's announcements dated 3 December 2021 and 15 March 2022 and the circular dated 9 February 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the date of this report.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group. Information on the environmental and social responsibility of the Group is set out in the "Environmental, Social and Governance Report" on pages 28 to 49 of this annual report.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting. No change in auditor of the Company within the last three years.

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

Hong Kong, 29 March 2022

1 ABOUT THIS REPORT

Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") and its subsidiaries (the "Group" or "We") presents its Environmental, Social and Governance ("ESG") report which summarized our management policies, commitments, management approaches, compliance with laws and regulations, and annual highlights and measures regarding sustainable development during the period from 1 January 2021 to 31 December 2021 (the "Reporting Period" or the "Year"). For details on the corporate governance of the Group, please refer to the "Corporate Governance Report" section in the annual report or visit the official website of the Group.

Reporting Principles

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has complied with the "comply or explain" provisions in the Guide. A content index for the Guide based on the content of this report is set out in the last section of this ESG report for easy reference.

This ESG report also complies with the reporting principles of "materiality", "quantitative", "balance" and "consistency". The reporting principles were applied as follows:

Materiality: We have conducted a materiality assessment this Year and engaged internal and external stakeholders to rate ESG issues through an online questionnaire to identify ESG issues that are important to both the Group's operation and our stakeholders. This ESG report is prepared based on the result of the materiality assessment, and the material ESG issues identified have been disclosed in the ESG report.

Quantitative: This ESG report discloses the basis, methodology and sources of conversion factors used in calculating quantitative key performance indicators ("KPIs").

Consistency: Changes to statistical methods or KPIs are discussed in the ESG report for meaningful comparisons.

Balance: The ESG report provides an unbiased picture of the Group's performance during the Reporting Period.

Reporting Scope

This ESG report covers the Group's main operating bases in Vietnam and the reporting scope of our environmental KPIs mainly includes the following two plants in Vietnam:

- Production plants in Nhon Trach Industrial Zone II of Dong Nai Province, Vietnam
- A production plant in Ha Tay Province, Vietnam

We selected and determined the above reporting scope base on revenue and major operating locations. Since our other subsidiaries only accounted for a small portion of the Group's revenue, their ESG information and data performance are not disclosed in this ESG report. We are committed to expanding the reporting scope of environmental KPIs in the future to present a more comprehensive picture of our qualitative and quantitative ESG performance.

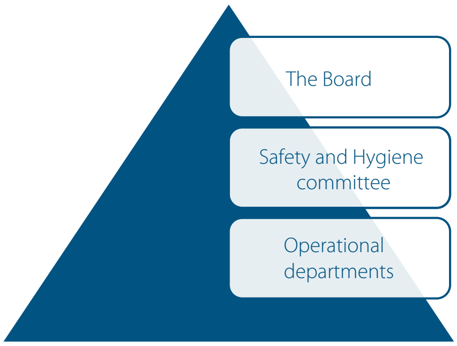
2 ESG Management

2.1 The Board's Statement

The Group has established an ESG governance framework to strengthen our ESG management. The Board is responsible for spearheading and overseeing our ESG efforts and in charge of leading us to address the opportunities and risks of sustainability. We had established the Safety and Hygiene committee to monitor ESG matters. The Board regularly determines and monitors ESG approaches and strategies. Its duties include approving and confirming ESG-related target setting, reviewing progress towards our goal, evaluating and prioritizing. We had established directional environment-related goals. In the future, we will conduct progress review based on the Group's ESG-related goals to monitor and refine our sustainability efforts.

2.2 ESG Governance Structure

Our Safety and Hygiene committee is responsible for reviewing environmental and labor safety policies and their performances, through which it assists the Board to monitor the Group's ESG matters and ensure a better implementation of our ESG policies. The Board is fully responsible for the Group's ESG reporting and management approach.



Our Safety and Hygiene committee is chaired by the general manager with the manager of the Administration Department and the representative(s) from the Environment and Safety Division under the General Affairs Department been delegated with the responsibility for overall coordination. Their specific responsibilities are as follows:

- Regularly report the Group's ESG performance to the Board;
- Draft ESG strategies and policies for the Group, which set out the identification of ESG materiality issues and ESG risks, and the formulation of corresponding measures;
- Assess and determine ESG risks and opportunities;
- Review and recommend the annual ESG report to the Board for approval.

2.3 Stakeholders Engagement

We are committed to building and maintaining good relationships with our stakeholders, and by collecting their opinions, we aim to improve the Group's operations. The table below summarizes our communications with key stakeholders during the Reporting Period:

Key Stakeholders	Key Engagement Channels
Customers	• Customer service center • Online service platform • Phone, email
Shareholders/Investors	• AGM and other general meetings • Interim and annual reports • Corporate communications such as shareholder letters/ circulars and notices of meetings • Results announcements • Company website • Shareholder consultation
Staff	• Performance evaluation • Meetings and interviews • Business briefings • Volunteer services • Staff communication conferences
Business Partners	• Reports • Meetings • On-site visits
Regulatory Authority	• Compliance with law • Compliance information disclosure • Reduce emissions
Community/NGO	• Community services
Suppliers	• Supplier management program • Meetings • Supplier/Contractor evaluation system • On-site inspections
Dealers	• Dealer management program • On-site inspections

2.4 Materiality Assessment

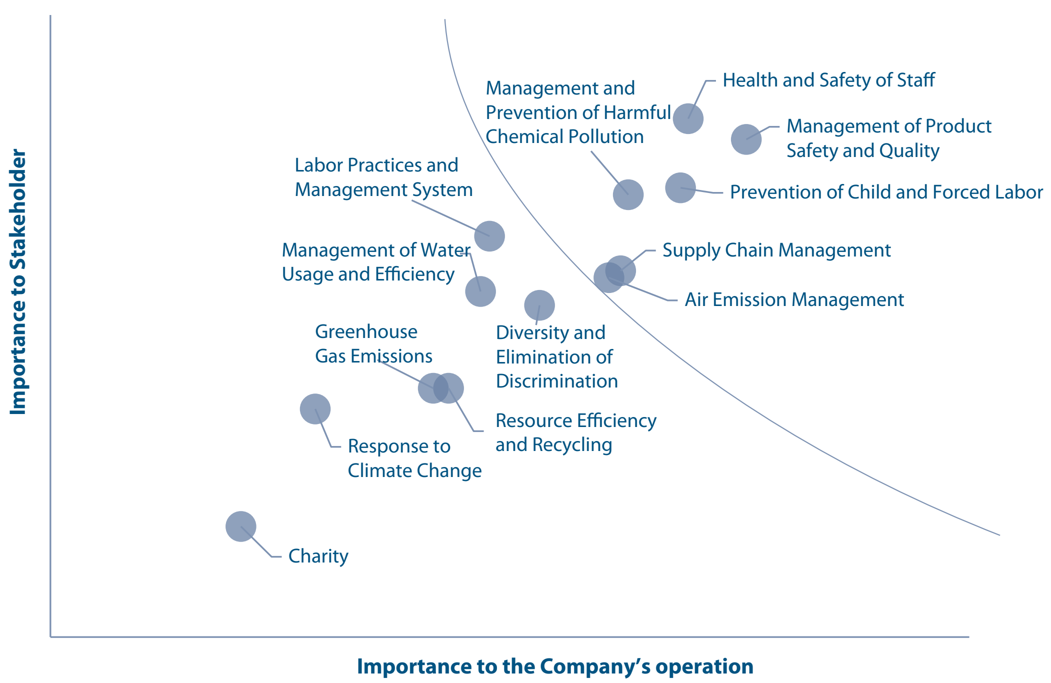
During the Year, we conducted materiality assessment by inviting internal and external stakeholders to complete online questionnaires. The objective of our materiality assessment is to identify ESG issues that have a significant impact on our business and stakeholders for our formulation of ESG management approaches and strategies to achieve effective management. Our Board is involved in assessing, prioritizing and identifying material ESG-related issues in materiality assessments. The steps taken in our materiality assessment were as follows:

1. Identify the Group's ESG Issues
   - Summarize applicable ESG issues for the Group based on the Guide, Sustainability Accounting Standards Board (SASB) Materiality Database, Global Reporting Initiative (GRI) and peer benchmarking

2. Prioritizing
   - Rate the importance of the issues on a scale of 1 to 10 through online questionnaire by our stakeholders

3. Results of Materiality Assessment
   - Present the findings with a materiality matrix
   - Confirm the findings of the assessment by the Board of the Group

Materiality Matrix



2.5 Identifying Climate-related Risks

In addition to risks associated with the consumer market and the economy, the Group was also confronted with certain climate-related risks. First, we face physical and transitional risks from climate change. Our supply chains may be disrupted and our equipment may be damaged by extreme weather. Secondly, Vietnam is tightening up its air pollution emission standards for vehicles and motorbikes. Vietnam is also making its labor-related laws and regulations governing salary, labor conditions and so forth stricter, couple with a rise in the statutory minimum wage year by year. Such changes in the above mentioned decrees and norms may directly cause an increase in our production and technology costs.

On the other hand, in light of issues such as traffic congestion and air pollution, Ho Chi Minh City and some other first-tier cities may impose restrictions on the number of vehicles in future, dealing a blow to the consumer market of the motorbike industry. Along with the heightened consciousness of labor rights in recent years, labor strikes nowadays have also been affecting the day-to-day operations in some industries.

Confronted with such market and regulatory risks, the Group, on the one hand, keeps itself abreast of changes in laws and regulations, learns from the experience and the technology of Sanyang Motor Co., Ltd., ("Sanyang") the Company's ultimate holding company, and adapts itself to the tightening standards and norms of environmental protection and labor affairs, while on the other, embarks on planning for the removal of its plants with an aim to complete the removal smoothly without prejudice to production. Moreover, the Group upholds the principle of "creating a harmonic, comfortable and safe workplace" to provide salaries and benefits surpassing legally required and bring to the staff a stable work and life, such that the labor relations are in harmony so far.

As to restrictions on the urban consumer market, the Group would address such external challenges by persisting in strategies in relation to enhancement of operational achievement, stringent control over costs and expenses, continued innovation of research and development ("R&D") technologies and expansion into overseas markets. What is more, it would make more efforts in expanding rural and overseas markets and in adapting to the consumer trend in respect of environmental protection by continued R&D and launch of environmental protection vehicles and electric cars to enrich offerings to consumers.

During the Year, the Group identified the following climate-related risks:

Physical risks	**Impact on the Group**	**Countermeasures**
Extreme weather	➢ Maintenance costs may increase due to damages caused by extreme weather events such as typhoons, floods and storms ➢ Employee safety issues caused by extreme weather	Provide safety training to employees to increase their safety awareness and develop contingency plans
Transitional risk	**Impact on the Group**	**Countermeasures**
Policy risk	➢ Increasing applicable regulations related to safety and air emissions in the industry lead to increased compliance costs	Our motorbikes comply with the Euro III emission standard. Plans are put forward to address corresponding regulations of different countries

3 PRODUCT RESPONSIBILITY

3.1 Product Quality Control

The Group attaches great importance to product quality that it has established a set of standardized quality control procedures in accordance with requirements of the ISO9001 Quality Management System, under which all processes ranging from feeding to production and processes after completion and before delivery are implemented with quality control, accomplishing our highest guiding principle of "focusing on underlying businesses while securing quality first and customers' satisfaction".

The Group sets its quality targets every year in accordance with its corporate policies and quality management requirements with concrete measures to trace their conformity with standards. The assessment indicators include defective loss, defective rate, costs incurred during the warranty period of complete bikes and so on. Besides, the Group strictly requires all production units to put into effect the following measures and to incorporate quality-related achievement performance into the assessment as the basis for salary adjustment and bonus distribution.

- To intensify continuously quality management, educational training and practical operation

- To ascertain truthful operation of the quality management system in the course of production, adhering to the "three not's principle" of "not accepting, not producing and not discharging defective goods"

- To materialize concretely monitoring and management of quality-related indicators

The General Manager's Office is delegated by the Group to assemble the R&D, the production, the services, the quality management and other relevant units to address significant quality issues that have occurred or may occur on the market by convening weekly meetings to review, draw up addressing or improving programs and ensure that the product quality issue is well taken care of and conformed to relevant national laws and regulations.

The Group has the "Recalling and Correcting Defective Goods Methods" in place as the corporate policies for units concerned to abide by in case of handling quality issues. For the year ended 31 December 2021, the Group has complied with all relevant laws and regulations and reported no significant non-compliance matter related to quality and product recall issues.

3.2 Management of Suppliers

The Group had about 93 suppliers whom were mainly from Vietnam and supplied us with die-casting, electrical components (such as lamps), steel parts, plastic parts and other services. The ESG risks of marked suppliers mainly include manufacturers involving an electroplating process that may have potential impact on the environment.

To ensure the quality of major components and assemblies and raw materials, the Group adopts the principle of global procurement to identify suppliers providing products with the finest quality, at the most competitive price and conforming to local decrees and norms and those of Vietnam government and other consumer markets. To make contribution to local economy, we materialize local procurement whenever possible as long as components and assemblies can be produced locally in Vietnam.

The Group conducts regular assessments on goods delivered by suppliers monthly. It also conducts regular on-site audits in respect of quality, technology, labor safety and hygiene and environmental protection to ensure that the product quality of suppliers conforms to the Company's requirements and complies with local environmental protection and labor-related norms. Those having grave breaches or failing to live up to standards are declined for further cooperation. For new suppliers, the Group has stringent assessment and examination operational procedures in place and only those passing such procedures can become part of the Group's collaborative manufacturer system.

To maintain our relationship with suppliers and to facilitate a harmonic development of the industrial chain, the Group has convened one meeting of collaborative manufacturers during the Year, thereby building an emotional tie with them through the meal gathering and sports activities there and helping the Group understand problems the suppliers may have and arrive at settlement resolutions hand in hand.

3.3 Maintaining Customer Relationship

Dealers

The Group must rely on local Vietnamese and overseas dealers to market its products and therefore it pays much attention to customers' opinions and feedbacks such that there are responsible unit officers in charge of product development and design, product delivery and maintenance services and other aspects to effect customer visits and routine communications in accordance with our "Benchmarks for Customer Services and Customer Satisfaction Management and Operation" to comprehend customers' needs and their expectations on products. During the Year, we did not receive any complaints from customers.

The Group executes regular surveys on customer satisfaction annually and compiles the "Analysis Report based on Findings of the Survey on Customer Satisfaction", and in respect of which a review meeting would be held for reporting the survey findings to high-ranking superiors and requesting relevant units to submit improvement programs in response to items that customers are not satisfied with. In addition, the Group keeps prompt response to customers' opinions and feedbacks with an aim to maintain a long-term and healthy cooperation relationship.

To ensure that our dealers provide quality sales and after-sales services, the Group has formulated the "Operational Benchmarks for Handling the Request Form for use by Dealer" and the "Operational Benchmarks for Warranties" to augment the quality requirements proposed by dealers during the manufacturing process and the warranty services provided after delivery.

Besides, the Group would conduct regular assessments on dealers quarterly and the results of which are used as the basis for dealer improvement and for counseling or subsidy provided by the Company.

Market and Consumers

The Group cares about consumers using products of SYM and other subsidiary brands, such surveys on user satisfaction are conducted as a new product makes its debut and product surveys of larger scale in respect of the market of Vietnam would also be conducted regularly, to find out the user experiences and the preferences that end-consumers may have on the Company's products. Their opinions are collected for directing future product planning and for serving or satisfying needs of social trends.

To provide Vietnamese consumers with a more environmental friendly choice, apart from motorbikes using gasoline, the Group is devoted to the R&D of a variety of electric motorbikes featuring characteristics like compact appearance and convenient use.

Information Security

The Group attaches great importance to information privacy, thus we monitor our projects by formulating and implementing our security inspection policies, which include network service authorization, e-mail security management, and computer virus prevention management. To strengthen information security management of the Group and prevent information security breaches, we formulated and regulated certain behaviors such as setting passwords and authorization for computer system users, backing up and storing data files.

3.4 Products and services responsibility

For the year ended 31 December 2021, the Group was not aware of any incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising, promotion and sponsorship, and property rights including intellectual property rights that have a significant impact on the Group.

3.5 Anti-corruption

Anti-corruption Policies

The Group attaches importance to staff discipline that corruption, extortion, blackmail, misappropriation of public funds and money laundering behaviors in any form are sternly banned. The Group has framed the exacting "Occupational Ethic Norms", stipulated clearly in the Staff Manual and the Corporate Norms relevant standards in relation to fighting corruption, bribery and money laundering and required all the staff to cogently abide by the same to ensure no conflict of interests, such that all staffs, themselves or their respective relatives or friends are banned from demanding or receiving, whether directly or indirectly, any private rewards, gifts, monies, borrowings/loans, services, presents and so forth from manufacturers having business dealings or contemplating to engage in dealings with the Company. In case of breaches of the aforesaid occupational ethic norms of the Group, the staffs or the manufacturers concerned may report to the Company's audit and personnel units by means of any channel, such as e-mail, correspondence or mobile applications.

To materialize strengthening work disciplines for staffs, give play to team spirit, elevate work efficiency and operational effectiveness, the Group makes staff discipline a key item in the educational training for new recruits and all the staff are required to receive training courses on rule of law, industrial safety and information safety. New norms, once issued by competent authorities, are communicated through notices, propaganda seminars and educational trainings and in other manners to the staff, allowing them to learn about relevant stipulations they should observe. For the year ended 31 December 2021, the Group has complied with all relevant laws and regulations and reported no significant malpractice or bribery or dereliction of duty in breach of relevant decrees and norms.

Internal Audit

The Group has established a comprehensive internal audit system incorporating five major aspects of environment control, risk assessment, operation control, information communication and supervision, which is used as the important internal control measure to prevent corruption, malpractice and other unlawful acts. There is also an internal audit unit instituted under the Board and the Board has full power to be responsible for effectiveness of the internal supervision and control system.

For the year ended 31 December 2021, the Group's audit unit has carried out routine audits in respect of nine aspects, namely procurement and payment, production, research and development, salary and wage, fixed assets, sales and receipts, financing, investment and e-information processing. It has also engaged in audits in respect of four key business projects and spotted no significant non-compliance or corruption related matter.

4 CARING FOR THE STAFF

The Group values its employees and cherishes their dedication and efforts to the Group. We strictly abided by employment-related laws and regulations such as the Vietnam Labor Law and the Social Insurance Law. For the year ended 31 December 2021, the Group reported no significant non-compliance matter related to employment.

The Group's staff consists mainly of Taiwanese and Vietnamese staffs. A summary of the Group's headcount is set out below:

Indicator	Unit	2021
Total employees	Person	1,116
The number of employees by gender		
Female	Person	230
Male	Person	886
The number of employees by employment category		
Full-time junior employee	Person	871
Full-time middle management	Person	130
Full-time senior management	Person	115
The number of employees by age group		
Below 30	Person	261
30-50	Person	708
Above 50	Person	147
The number of employees by region		
Employees in Vietnam	Person	1,098
Employees in Taiwan	Person	18

4.1 Remuneration and Benefits

Employment and Pay

The Group's staff consists mainly of Taiwanese and Vietnamese staffs. The Group establishes its human resource management system based on the value concept that respects diversity and declines discrimination, and acts on the highest guiding principle that turns a blind eye to nationalities (whether Taiwanese or Vietnamese), advocates equality between the sexes, recognizes contribution, cultivates talents and cherishes unity.

The Group draws up its "Management Methods for Recruitment and Appointment" based on labor-related decrees, which stipulate clearly the principle for staff recruitment and appointment, labor rights and obligations, wages and benefits and other contents. The hiring of Vietnamese and foreign staffs by the Group is proceeded strictly pursuant to local decrees and norms. Furthermore, the Group views its employees as significant human resources and capital, except in the case of severe breach of conduct, the Group does not execute instant termination of employment contract with employees. In the case of justifiable dismissal, the terminated employee is entitle to compensation according to local labor laws. For the year ended 31 December 2021, the Group reported no significant non-compliance matter related to employment.

The Group remunerates its staffs according to their respective academic qualifications and background, professional knowledge and skills, professional seniority and experience and individual performance. The salary of a staff does not vary with his/her gender, ethnicity, religion, political stance, marriage conditions, labor union or association. In order to ensure a stable supply of manpower, lower staff turnover costs and risks and provide the staff with a better life, the Group hires its staffs at a benchmark salary approximately 15% higher than the statutory minimum wage set by the government. Apart from basic salary, the Group offers year-end bonus, Labor Day and National Day bonuses and other variable remuneration to timely motivate staffs to attain better results.

Benefit Items

The Group's benefit system targets at formal staffs to provide the staff with a superior working environment in which they can work with delights. Benefit affairs are transacted by the Staff Benefits Committee (hereinafter be abbreviated as the "SBC") jointly formed by the labor and the management. The Group and the SBC would also provide allowances and subsidies of varied amount with regard to different occasions such as weddings, funerals, festive events, further studies, hospitalization, occupational injuries and so on.

The Group provides labor insurance, maternity/parental leave, pension reserve and so forth according to law; takes out group accident and staff health check insurance for the staff at the expense of the Group; and transacts staff solidarity fund insurance, overseas business trip or travel accident insurance, staff body check, etc. On the other hand, the SBC sponsors cultural and recreational, community and sports activities for the staff; offers staff language (English, Chinese and Vietnamese) learning allowances, education subsidies for children of staffs, subsidies for birthdays, benefit marks coupons for the three festivals and the Labor Day and travelling and other kinds of subsidy.

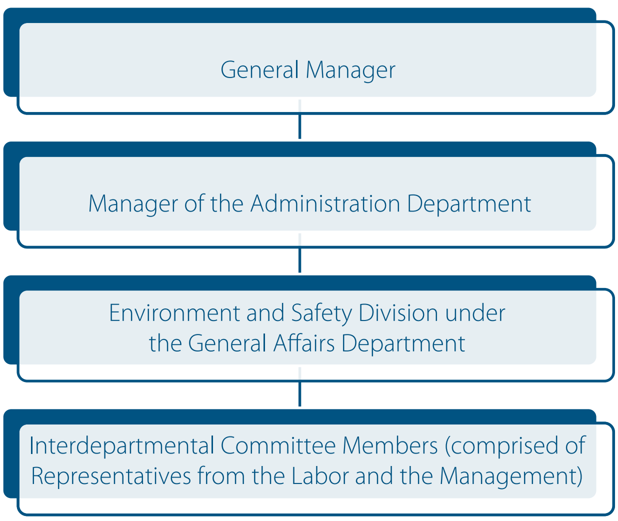
4.2 Occupational Health and Safety

The Group's prime consideration of occupational health and safety pivots on the potential safety and health injuries that our frontline staffs may suffer in their daily work.

With regard to management of occupational safety and hygiene, the 5S Management System comprising SEIRI, SEITON, SEISO, SEIKETSU and SAFETY is implemented in full to upgrade product quality, promote work-related safety and hygiene, ensuring physical and mental health of the staff to reduce occurrence of occupational diseases and disasters.

The Group has a Safety and Hygiene committee in place to review environment and labor safety policies and their achievement performance, and to promote continued improvement of the same. The safety and hygiene committee has the general manager acted as its chairman with the manager of the Administration Department and the representative(s) from the Environment and Safety Division under the General Affairs Department been delegated with the responsibility for overall planning and coordination, execution and tracing of relevant policies and resolutions. Committee members are comprised of representatives from the labor and the management to ensure a smooth communication between the two parties and serve the purpose of accomplishing the objectives of preventing occupational disasters and safeguarding labor safety and health.

The Structure of the Safety and Hygiene Committee is below.



Apart from this, the Group has instituted a labor protection organization to conduct regular checks on the execution of labor protection work at all branch plants every six months or annually in respect of different work safety themes designated by the Environment and Safety Division under the General Affairs Department, during which staffs are reminded to wear protective gear as required. Once potentially significant safety damages are detected, the organization would request the unit head concerned to effect measures aimed at eliminating such causes of damages.

Basic occupational health and safety measures provided by the Group to the staff mainly include:

- Annual inspection on the operational environment covering items like noises, poisonous wasted gases, dusts, VOCs, and etc.; and based on the findings of which to conduct body checks for staffs serving at those workplaces proved to be particularly damaging and materialize management by grading

- Annual body checks for general staffs to comprehend their health conditions and materialize management by grading with post re-designation as the case may be; and conduct checks on occupational disease for staffs serving at special posts. Based on the findings of the checks in 2021, no staff was found suffering from occupational disease

- Annual educational training on environmental safety and hygiene to promote awareness of environmental safety and hygiene among staffs

- Deployment of one healthcare staff at each plant zone, equipped with medicine and first-aid related equipment.

On the propaganda front, the Group has formulated the "Codes of Work on Safety and Hygiene for the Staff" pursuant to the Rules Governing Educational Training on Labor Safety and Hygiene and standardized safety and environmental protection certifications, trainings and on-the-job educational trainings required for all types of jobs. The survey on needy trainings conducted at the end of every year would be used as a basis for courses and trainings to be held in the coming year, in which the importance of environment, safety and hygiene is propagandized through relevant educational trainings.

There were no work-related fatalities recorded by the Group in 2019, 2020 and 2021.

4.3 Training and Development

The Group maintains a complete staff training system to serve our highest guiding principle of enhancing staffs knowledge, skills and quality, and upgrading their individual and organizational work quality and performance.

Training-related KPIs performances for the Year were summarized as below:

Indicator	Unit	2021
The percentage of employees trained by gender		
Female	%	3.22
Male	%	23.65
The percentage of employees trained by employment category		
Junior employee	%	15.77
The average training hours completed per employee by gender		
Female	Hour	6
Male	Hour	6
The average training hours completed per employee by employment category		
The average training hours completed per full-time junior employee	Hour	6

The Group has a training center housing various plants for practical training, equipment and lecturers. The training center holds courses based on the Company's training regime and files the particulars and the number of training hours of participants with the educational training system, with the information reserved as reference for future promotion. Every year, the training center would arrange its annual training plans according to the Company's operational guiding principle and strategic objectives and by finding out training needs of all units. Apart from holding trainings on its own, the center transacts the business of entrusted training for other enterprises to provide diversified training courses and sound on-the-job education, aiming at cultivating talents rich in professional competence and eager to take challenges.

The Group's training system incorporates training courses in the following types:

- General training: trainings on environmental protection, fire-control, and trainings for new recruits (basic legal knowledge, work safety obligations, staff rights, etc.), and courses relating to safety and hygiene management and so on

- Quality management training: quality controller training, ISO training, basic concepts of quality management and so on

- Management training: include project management, project reporting and briefing techniques, the Five GEN Principle, the seven major approaches to quality management, an introduction to corporate management, issue analysis and decision-making and so on

- Language training: Chinese, Vietnamese training

In 2021, the Group organized a variety of training courses, which, apart from basic fire-control, industrial safety at plants, labor safety and hygiene, ISO Quality Management and environmental protection system related courses, included also CIC Training, trainings on operating forklift trucks and equipment safety and so on. The Group also encourages staffs to apply for skill verifications and obtain certifications.

Besides, to materialize the perpetual operational objective of "cultivating talents", enhance staffs' managerial abilities, and to study the management techniques and corporate culture of the Company's ultimate controlling company, the Group offered some Vietnamese cadres an opportunity to practice at Sanyang, Taiwan, and the contents of which included corporate strategic planning concepts, costing concepts, department operational management, departmental budget control and management and other courses.

The Group organizes achievement assessment and annual promotion for the staff in the fourth quarter every year, through which all units would appraise work achievements of their respective staffs, recognize their contributions and ascertain adequate development opportunities for staffs.

5 Environmental Awareness

The Group complies with requirements of the ISO14001 Environment Management System to establish a complete environment management system and pass its certification, so as to ascertain supervision and measurement over its daily operation, execute internal audit and propose correction and precaution measures for continued improvement. During the Year, the Group had set environmental targets and is committed to maintaining or gradually reducing energy consumption, water consumption, waste generation and greenhouse gas emissions as compared to the level of 2019.

5.1 Air Pollutants

Volatile Organic Compound (VOC) wasted gases generated in the process of plastics coating are the gravest and the most potentially hazardous air pollutants during the daily operation of the Group. The wasted gases from the coating process if not completely gathered and treated, may cause pollution to the Group internally or to the surrounding environment, or even spread further to causing pollution to the whole district while endangering the health of our front-line staffs and that of residents in the vicinity.

To prevent the wasted gases from the coating process from leaking outside, the Group has installed air filters for the operational environment of every plant zones with the wasted gases absorbed by water curtains and the paint residues properly retrieved and handed over to qualified contractors for treatment. The Group aggregates monthly usage as reported by each coating using unit, compile statistics for VOC content of the same and report quarterly to the Environmental Protection Bureau according to law for payment of the prevention fee for air pollution. Such payment information is filed with the Materials Department as reference for procurement of coatings, in the hope of choosing more environmental friendly and safer materials in a cost saving manner to reduce emission of wasted gases.

Besides, the Group has instituted contingency measures for the handling of notification of poor air quality, under which all implementation units must halt their outdoor operations upon receipt of such notification as stipulated. The Group would equally require the construction units to report their air pollution fee as stipulated and set up necessary air pollution precaution measures such as signing, fencing, capping, water spraying, and so on.

To effectively bring emission of wasted gases under control, the Group has drawn up an annual inspection plan, under which regular inspections are conducted quarterly on items like Toluen, a wasted gas from the coating process, ashes (or smoke concentration), etc., and an assessment report is prepared according to findings of the inspections as a basis for improvement of quality of emission of wasted gases. The inspection findings for 2020 all conformed to national standards and relevant laws and regulations. For the year ended 31 December 2021, the Group reported no significant non-compliance matter related to air pollution.

We collected the environmental KPIs of our production plants in Nhon Trach Industrial Zone II of Dong Nai Province, Vietnam and a production plant in Ha Tay Province, Vietnam to conduct an annual greenhouse gas emission evaluation. Our greenhouse gas emissions were summarized as below:

Greenhouse gas emission performances[1]	Unit	2021
Greenhouse gas emissions		
Total greenhouse gas emissions (Scope I and Scope II)	Tonne carbon dioxide equivalent	537,050.17
Greenhouse gas emissions intensity		
Total greenhouse gas emissions per unit production volume (Scope I and Scope II)	Tonne carbon dioxide equivalent/ Production volume	6.65

Scope I： Direct greenhouse gas emissions from sources owned and controlled by the Company.

Scope II： Indirect greenhouse gas emissions from electricity generation, heating and cooling, or steam purchased by the Company.

1 Prepared with reference to the" Greenhouse Gas Protocol" published by World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD), and ISO14064-1 established by the International Organization for Standardization

5.2 Wastes and Wasted water

Management of wastes

Hazardous wastes generated in the course of operation of the Group can be classified into several major categories, namely paint residues, sludge, wasted oils and wasted cloths. For the year ended 31 December 2021, the hazardous waste production generated by the Group decreased from 481,830 kilogram in 2020 to 129,139 kilogram in 2021. The decrease was mainly due to the Group comply with the Vietnamese government's pandemic prevention policies, the Group's motorbike manufacturing and assembly plants were halted for almost three months, and as a result the amount of hazardous waste generated during the production process also reduced.

The Group's management of wastes is carried out in accordance with the principle of "reducing emissions while recycling the recyclable", and the dumping and storage of hazardous wastes are monitored by security guards or personnel from the Environment and Safety Division under the General Affairs Department. Meanwhile, the Group continues to promote the source separation of wastes to all departments so as to reduce emissions and thus pollution through the complete source separation.

The Group's production plants all have reported to competent authorities and obtained emission permits from their respective local Environmental Protection Office in the sense that all hazardous wastes conform to environmental protection and related laws and regulations and handed over to qualified contractor(s) for recycling treatment. Directed against reduction and management of paint residues, the Company would implement reinforced management of material requisition and quantitative painting standards, and ensure proper outsourced treatment of paint residues after allowing them to stay stationary for some time.

As for ordinary domestic refuse, the principle of recycling and separation for centralized treatment is applied equally to reduce wastage and elevate recycling rate. For the year ended 31 December 2021, the Group reported no significant non-compliance matter related to disposal of wastes.

Waste disposal data were as follows:

	Unit	2021
Hazardous waste	Kg	359,115
Hazardous waste per unit production volume	Kg/ Production volume	4.45
Non-hazardous waste	Kg	129,139
Non-hazardous waste per unit production volume	Kg/ Production volume	1.60

Management of Wasted Water

The Group's plant in Dong Nai Province is located at Lot 4, Road 5C, Nhon Trach Industrial Zone II, part of the drainage area of the Dong Nai River, the water source serving the population of Bien Hoa City, Nhon Trach district and Ho Chi Minh City; the Group's plant in Ha Tay Province is located at Le Trong Tan, La Khe, Ha Dong, Ha Noi, part of the drainage area of the Hanoi River, the water source serving the population of Ha Dong and the whole Hanoi City. Given that the wasted water emitted from the related plants is of significant concerns as to the health and the safety of residents there, industrial wasted water emitted from the Group's plants is subject to stringent regulation by respective governments that the sewage emitted must tally with national standards.

The Group's plants are all equipped with sound wasted water treatment systems. Wasted water generated in the course of manufacturing processes would be collected and treated centrally, and emitted only after processes like concentration blending, precipitating, bio-treatment, suspension filtering and debugging, in order to ensure compliance with national emission standards.

The Group sets targets for its sewage emission annually and maintains a 24-hour surveillance over the water quality of the wasted water emitted, which covers items like Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Suspended Solids (SS), etc. Local Environmental Protection Offices would conduct regular examinations on the water quality of the wasted water emitted. For the year ended 31 December 2021, the Group's wasted water emitted from its plant zones all conformed to national standards and relevant laws and regulations, and the Group reported no significant non-compliance matter related to emission of wasted water.

5.3 Energy Saving and Water Saving Measures

Primary energy and resources used in the course of production of the Group involve electricity, gasoline, diesel fuel, natural gas, tap water and underground water. For the year ended 31 December 2021, the electricity consumption decreased from 10,161,090 kwh in 2020 to 9,232,253 kwh in 2021. The decrease was mainly due to the Group comply with the Vietnamese government's pandemic prevention policies, the Group's motorbike manufacturing and assembly plants were halted for almost three months, resulting in reduced electricity consumption in production.

The Group's Environment and Safety Division under the General Affairs Department is dedicated to planning, launching and overseeing various energy saving and water saving programs. The Group manages electricity used in production systems and electricity used by indirect units separately, proposes and implements improvement programs in connection with work characteristics. In the aspect of manufacturing process, targets are set for continued enhancement of efficiency energy and resource use and reduction of resource wastage; in the aspect of office administration, targets are set for improvement of energy saving directed against air-conditioning and lighting for public areas.

The Group makes efforts in reducing energy consumption through improving system design, adopting efficient equipment and cycling use and other measures. The personnel from the Environment and Safety Division under the General Affairs Department would conduct regular checks on pipelines or piping to detect ruptures or leakages (if any) of water and have them mended timely.

On the other hand, by verified accessing every month and every time-interval and compiling statistics incorporating usage of energy, water and all other forms of energy and resources, the Group is able to trace use conditions and spot anomalies and embark on improvement and conservation accordingly. Besides, the Group keeps on propagandizing to staffs the concept of getting resources and economizing to augment control over use of resources.

The energy consumption and use of resources data were as follows:

Category		Unit	2021
Gas consumption from fixed equipment	Diesel fuel	m^3	159,000
	Gasoline	m^3	48,001
	Natural gas	m^3	205,000
Gas consumption from motor vehicles	Diesel fuel	Liter	46,936.8
	Gasoline	Liter	44,546.2
Electricity consumption	Electricity	kWh	9,232,253
Water consumption	Tap water	m^3	109,618
Packaging Material	Packaging film	Kg	62,144
	Paper	Kg	423,327

6 COMMUNITY INVESTMENT

The Group upholds the community investment concept of "What are taken from the community is used for the community – be an enterprise needed by the Vietnamese society" and has been making efforts in giving back to local communities since its foundation. The Group has formed the "Compassion Society" in 2003 to organize and drive related activities since then. It also encourages collaborative manufacturers and the Group as a whole to join in practicing the saying of "hands up for public welfare, a passionate move; join hands for public welfare, a blissful and beautiful life" as an active feedback and contribution to the Vietnamese society, such that its charity work for years has set a firm footing in Vietnam and won profound affirmations and recognitions with the Vietnamese society and the government.

The Company introduces a community involvement structure in relation to corporate social responsibility and propels comprehensive community investment work in three major dimensions covering environmental protection, community involvement and education and culture, so as to deliver in full its social responsibility. To fulfill its corporate social responsibility, the Group contributed approximately US$69,400 for social welfare activities in 2021, which were mainly donated to the Vietnamese government and the communities to fight against the COVID-19 pandemic.

Appendix I: Sustainability Data Summary

Environmental Indicators[2]	Unit	2021
Air pollution[3]		
SO_2	Kg	1.28
NO_x	Kg	236.74
VOC	Tonne	19.16
Emissions[4]		
NO_x	Kg	464.24
SO_x	Kg	1.41
PM	Kg	43.89
Greenhouse gas emissions		
Total greenhouse gas emissions (Scope I and Scope II)	Tonne carbon dioxide equivalent	537,050.17
Total greenhouse gas emissions per unit production volume (Scope I and Scope II)	Tonne carbon dioxide equivalent/ Production volume	6.65
Non-hazardous waste		
Non-hazardous waste generation	Kg	129,139
Non-hazardous waste generation per unit production volume	kg/ Production volume	1.60
Hazardous waste		
Hazardous waste generation	Kg	359,115
Hazardous waste generation output per unit production volume	Kg/ Production volume	4.45
Packaging Material		
Paper	Kg	423,327
Packaging film	Kg	62,144
Packaging material per unit production volume	Kg/ Production volume	6.01
Use of energy and resources		
Diesel fuel	m^3	159,000
Gasoline	m^3	48,001
Natural gas	m^3	205,000
Motor vehicle gasoline consumption	Liter	46,936.8
Motor vehicle diesel consumption	Liter	44,546.2
Electricity consumption	kWh	9,232,253
Electricity consumption per unit production volume	kWh/ Production volume	114.36
Total electricity consumption per production unit	kWh/ Production volume	25,655.85
Water consumption		
Tap water	m^3	109,618
Tap water per unit production volume	m^3/ Production volume	1.36

2 Disclosure of environmental KPIs covers our production plants in Nhon Trach Industrial Zone II of Dong Nai Province, Vietnam and a production plant in Ha Tay Province, Vietnam

3 Emissions generated by production plants in Nhon Trach, Dong Nai Province, Vietnam, our main production base for the Year

4 Emissions generated by motor vehicles

Social Indicators[5]	Unit	2021
Total employees	Person	1,116
The number of employees by gender		
Female	Person	230
Male	Person	886
The number of employees by employment category		
Full-time junior employee	Person	871
Full-time middle management	Person	130
Full-time senior management	Person	115
The number of employees by age group		
Below 30	Person	261
30-50	Person	708
Above 50	Person	147
The number of employees by region		
Employees in Vietnam	Person	1,098
Employees in Taiwan	Person	18
Employee turnover rate		
Total turnover rate	%	31.95
Female	%	3.11
Male	%	28.84
Employee turnover rate by age group		
Below 30	%	31.11
30-50	%	65.63
Above 50	%	4.21

5 Disclosure of social KPIs includes group-wide data

Social Indicators[5]	Unit	2021
Employee turnover rate by region		
Employees in Vietnam	%	5.63
Employees in Taiwan	%	5.32
Occupational Health and Safety (Number of work-related fatalities)		
Number of work-related fatalities (financial years 2019, 2020 and 2021)	Person	0
Rate of work-related fatalities (financial years 2019, 2020 and 2021)	%	0
Number of lost-days due to work injuries	Day	87
The percentage of employees trained by gender		
Female	%	3.22
Male	%	23.65
The percentage of employees trained by employment category		
Junior employee	%	15.77
The average training hours completed per employee by gender		
Female	Hour	6
Male	Hour	6
The average training hours completed per employee by employment category		
The average training hours completed per junior employee	Hour	6

Appendix II: Content index for Environmental, Social and Governance Reporting Guide

Indicators			Corresponding Chapter
A. Environmental Scope			
A1：Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Awareness
	A1.1	The types of emissions and respective emissions data.	Appendix I: Sustainability Data Summary
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Summary
	A1.3	Total hazardous waste produced intensity.	Appendix I: Sustainability Data Summary
	A1.4	Total non-hazardous waste produced intensity.	Appendix I: Sustainability Data Summary
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Awareness
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Awareness
A2：Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Awareness
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Appendix I: Sustainability Data Summary
	A2.2	Water consumption in total and intensity.	Appendix I: Sustainability Data Summary
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Awareness
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Awareness
	A2.5	Total packaging material used for finished products and unit produced.	Appendix I: Sustainability Data Summary
A3：The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Awareness
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Awareness

Indicators			Corresponding Chapter
A. Environmental Scope			
A4：Climate Change	General Disclosure	Policies on identification and mitigation of significant climaterelated issues which have impacted, and those which may impact, the issuer.	Identifying Climate-related Risks
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Identifying Climate-related Risks
B. Social Scope			
B1：Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Caring for the Staff
	B1.1	Total workforce by gender, employment type (for example, full or parttime), age group and geographical region.	Appendix I: Sustainability Data Summary
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Summary
B2：Health and Safety	General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: Sustainability Data Summary
	B2.2	Lost days due to work injury.	Appendix I: Sustainability Data Summary
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety

Indicators			Corresponding Chapter
B. Social Scope			
B3：Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Sustainability Data Summary
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Sustainability Data Summary
B4：Labour Standards	General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Remuneration and Benefits
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Remuneration and Benefits
	B4.2	Description of steps taken to eliminate such practices when discovered.	Remuneration and Benefits
B5：Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Management of Suppliers
	B5.1	Number of suppliers by geographical region.	Management of Suppliers
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Management of Suppliers
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Management of Suppliers
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Management of Suppliers

Indicators			Corresponding Chapter
B6：Product Responsibility	General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
	B6.2	Number of products and service related complaints received and how they are dealt with.	Maintaining Customer Relationship
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Products and Services Responsibility
	B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Maintaining Customer Relationship
B7：Anti-corruption	General Disclosures	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8：Community Investment	General Disclosures	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
	B8.2	Resources contributed to the focus area.	Community Investment

Independent auditor's report to the shareholders of
Vietnam Manufacturing and Export Processing (Holdings) Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vietnam Manufacturing and Export Processing (Holdings) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 54 to 100, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KEY AUDIT MATTER (Continued)

Valuation of motorbikes manufacturing inventories

Refer to note 13 to the consolidated financial statements and the accounting policies in note 2(j).

The Key Audit Matter

Inventories are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements.

At 31 December 2021, the Group's motorbikes manufacturing inventories, which accounted for 90% (2020: 88%) of the total inventories and comprised principally of raw materials, with gross amount of US$30.2 million (2020:US$25.2 million), against which a write-down of US$3.7 million (2020: US$2.7 million) was recorded.

Management performs a regular review of the motorbikes manufacturing inventories held by the Group and assess if any write-down is required due to their deteriorating physical conditions, long ageing or the expectation that they would not be fully utilised based on expected future manufacturing or trading orders.

Where there are such motorbikes manufacturing inventories, a write-down may be required to reduce the carrying amount to NRV.

We identified the valuation of motorbikes manufacturing inventories as a key audit matter because significant degree of management judgement required to assess the appropriate level of write-down for motorbikes manufacturing inventories.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of the motorbikes manufacturing inventories included the following:

- evaluating the Group's policy for provision for inventories with reference to the requirements of the prevailing accounting standards;
- assessing, on a sample basis, whether items in the inventory ageing report of motorbikes manufacturing inventories were classified within the appropriate ageing bracket by comparing individual items with goods receipt notes;
- assessing, on a sample basis, the reasonableness of NRV of motorbikes manufacturing inventories estimated by management for those long-aged and slow-moving motorbikes manufacturing inventories with reference to the movements, ageing analysis, forward customers' orders and the selling price subsequent to the year end;
- challenging management on the reasonableness of NRV of motorbikes manufacturing inventories for damaged inventories by comparing the management's assessment of the conditions of the damaged inventories with our observation during our attendance of the year-end inventory count on motorbikes manufacturing inventories on a sample basis;
- re-calculating the write-down for motorbikes manufacturing inventories based on the Group's write-down policy; and
- performing retrospective review, on a sample basis, by comparing the carrying values of finished goods of motorbikes manufacturing inventories as at 31 December 2020 with the sales prices achieved during the reporting period and raw materials and work-in-progress of motorbikes manufacturing inventories as at 31 December 2020 with subsequent utilisation record to assess the reliability of management's judgement and whether there is any indication of management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR’S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Yuk Fan.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(Expressed in United States dollars)

	Note	2021 US$	2020 US$
Revenue	4	**93,018,885**	84,107,777
Cost of sales		**(87,159,261)**	(75,998,522)
Gross profit		**5,859,624**	8,109,255
Other income	5	**435,397**	688,698
Distribution costs		**(5,186,251)**	(4,737,206)
Technology transfer fees	24(a)(iv)	**(681,197)**	(1,104,521)
Administrative and other operating expenses		**(7,024,000)**	(7,864,963)
Results from operations		**(6,596,427)**	(4,908,737)
Finance income		**2,386,210**	2,135,977
Finance costs		**(953,216)**	(1,055,055)
Net finance income	6(a)	**1,432,994**	1,080,922
Impairment loss on other property, plant and equipment	6(c)	**(390,545)**	(3,379,872)
Impairment loss on prepayments for other property, plant and equipment	6(c)	**(45,585)**	(86,654)
Impairment loss on right-of-use assets	6(c)	**–**	(65,183)
Share of profit of an associate		**27,482**	37,156
		(408,648)	(3,494,553)
Loss before taxation	6	**(5,572,081)**	(7,322,368)
Income tax credit	7(a)	**3,538**	36,520
Loss for the year		**(5,568,543)**	(7,285,848)
Other comprehensive income for the year (after tax):			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries and an associate		**688,593**	192,415
Total comprehensive income for the year		**(4,879,950)**	(7,093,433)
Loss for the year attributable to:			
Equity shareholders of the Company		**(5,568,542)**	(7,285,844)
Non-controlling interests		**(1)**	(4)
		(5,568,543)	(7,285,848)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(4,879,949)**	(7,093,429)
Non-controlling interests		**(1)**	(4)
		(4,879,950)	(7,093,433)
Loss per share			
– basic and diluted	10	**(0.006)**	(0.008)

The notes on pages 58 to 100 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021
(Expressed in United States dollars)

	Note	2021 US$	2020 US$
Non-current assets			
Investment properties	11	**4,192,630**	4,168,310
Other property, plant and equipment	11	**2,919,138**	3,035,417
Interest in an associate	12	**615,055**	580,039
Deferred tax assets	19(b)	**93,203**	87,913
		7,820,026	7,871,679
Current assets			
Inventories	13	**29,492,257**	25,415,896
Trade receivables, other receivables and prepayments	14	**25,778,262**	24,797,444
Current tax recoverable	19(a)	**32,340**	31,851
Cash and bank balances	15	**50,584,588**	49,078,816
		105,887,447	99,324,007
Current liabilities			
Trade and other payables	16	**23,288,897**	17,352,943
Bank loans	17	**36,052,299**	30,529,160
Lease liabilities	18	**9,302**	39,800
Current tax payable	19(a)	**7,171**	1,764
Provisions	20	**1,058,435**	1,100,406
		60,416,104	49,024,073
Net current assets		**45,471,343**	50,299,934
Total assets less current liabilities		**53,291,369**	58,171,613
Non-current liabilities			
Lease liabilities	18	**699,649**	699,943
NET ASSETS		**52,591,720**	57,471,670
Capital and reserves			
Share capital	21(b)	**1,162,872**	1,162,872
Reserves		**51,424,538**	56,304,487
Total equity attributable to equity shareholders of the Company		**52,587,410**	57,467,359
Non-controlling interests		**4,310**	4,311
TOTAL EQUITY		**52,591,720**	57,471,670

Approved and authorised for issue by the Board of Directors on 29 March 2022.

Liu, Wu Hsiung
Director

Lin, Chun Yu
Director

The notes on pages 58 to 100 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(Expressed in United States dollars)

	Attributable to equity shareholders of the Company								
	Share capital *US$*	**Share premium** *US$*	**Capital reserve** *US$*	**Exchange reserve** *US$*	**Statutory reserves** *US$*	**Accumulated losses** *US$*	**Total** *US$*	**Non-controlling interests** *US$*	**Total equity** *US$*
Balance at 1 January 2020	1,162,872	112,198,709	1,962,666	(35,422,219)	22,783	(15,364,023)	64,560,788	4,315	64,565,103
Changes in equity for 2020:									
Loss for the year	–	–	–	–	–	(7,285,844)	(7,285,844)	(4)	(7,285,848)
Other comprehensive income	–	–	–	192,415	–	–	192,415	–	192,415
Total comprehensive income	–	–	–	192,415	–	(7,285,844)	(7,093,429)	(4)	(7,093,433)
Transfer retained profits to statutory reserves	–	–	–	–	9,859	(9,859)	–	–	–
Balance at 31 December 2020	1,162,872	112,198,709	1,962,666	(35,229,804)	32,642	(22,659,726)	57,467,359	4,311	57,471,670
Balance at 1 January 2021	1,162,872	112,198,709	1,962,666	(35,229,804)	32,642	(22,659,726)	57,467,359	4,311	57,471,670
Changes in equity for 2021:									
Loss for the year	–	–	–	–	–	(5,568,542)	(5,568,542)	(1)	(5,568,543)
Other comprehensive income	–	–	–	688,593	–	–	688,593	–	688,593
Total comprehensive income	–	–	–	688,593	–	(5,568,542)	(4,879,949)	(1)	(4,879,950)
Transfer statutory reserves to retained profits	–	–	–	–	(32,642)	32,642	–	–	–
Balance at 31 December 2021	1,162,872	112,198,709	1,962,666	(34,541,211)	–	(28,195,626)	52,587,410	4,310	52,591,720

The notes on pages 58 to 100 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in United States dollars)

	Note	2021 US$	2020 US$
Operating activities			
Loss before taxation		**(5,572,081)**	(7,322,368)
Adjustments for:			
Net gain on disposal of other property, plant and equipment	5	**(158,052)**	(26,446)
Interest income	6(a)	**(1,962,267)**	(2,135,977)
Interest expenses	6(a)	**953,216**	965,784
Depreciation of property, plant and equipment	6(c)	**182,904**	180,142
Write-down of inventories	6(c)	**1,483,520**	1,085,672
Impairment losses on other property, plant and equipment	6(c)	**390,545**	3,379,872
Impairment loss on prepayments for other property, plant and equipment	6(c)	**45,585**	86,654
Impairment loss on right-of-use assets	6(c)	**–**	65,183
Share of profit of an associate		**(27,482)**	(37,156)
Foreign exchange (gain)/loss		**(170,824)**	67,459
		(4,834,936)	(3,691,181)
Changes in working capital:			
Increase in inventories		**(5,559,881)**	(3,180,624)
(Increase)/decrease in trade receivables, other receivables and prepayments		**(258,305)**	1,808,112
Increase in trade and other payables		**5,935,954**	2,636,919
(Decrease)/increase in provisions		**(49,983)**	91,332
Cash used in operations		**(4,767,151)**	(2,335,442)
Income tax paid		**(5,923)**	(86,183)
Net cash used in operating activities		**(4,773,074)**	(2,421,625)
Investing activities			
Interest received		**1,239,754**	1,413,464
Proceeds from disposal of other property, plant and equipment		**160,932**	26,446
Payment for purchase of other property, plant and equipment and investment properties		**(392,123)**	(3,602,080)
Payment for non-current prepayments		**(45,585)**	(86,654)
Increase in time deposits maturing after three months		**(5,582,551)**	(444,181)
Net cash used in investing activities		**(4,619,573)**	(2,693,005)
Financing activities			
Proceeds from borrowings	15(c)	**94,300,122**	73,700,785
Repayment of borrowings	15(c)	**(89,187,704)**	(70,871,044)
Capital element of lease rentals paid	15(c)	**(40,212)**	(43,482)
Interest element of lease rentals paid	15(c)	**(50,824)**	(52,973)
Other borrowing costs paid	15(c)	**(902,392)**	(912,811)
Net cash generated from financing activities		**4,118,990**	1,820,475
Net decrease in cash and cash equivalents		**(5,273,657)**	(3,294,155)
Cash and cash equivalents at 1 January		**15,748,526**	19,016,628
Effect of foreign exchange rate changes		**63,053**	26,053
Cash and cash equivalents at 31 December	15	**10,537,922**	15,748,526

The notes on pages 58 to 100 form part of these financial statements.

1 REPORTING ENTITY

Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 20 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in manufacture and sales of motorbikes, related spare parts and engines and provision of motorbike maintenance services.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates. The Group has adopted United States dollars ("US$") as its presentation currency as the directors of the Company consider that presentation of the consolidated financial statements in US$ will facilitate analysis of the Group's financial information.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Acquisition of a subsidiary that does not constitute a business is accounted for as acquisition of assets. In such cases, the Group recognises the individual identifiable assets acquired and liabilities assumed. The consideration of the acquisition is allocated to the identifiable assets and liabilities on their relative fair values basis.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)(i)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint operations

(i) An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post acquisition, post-tax items of the investees' other comprehensive income are recognised in other comprehensive income. When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit losses model to such other long-term interests where applicable (see note 2(i)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(ii) A joint operation is a joint arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses attributable to its interest with similar items on a line-by-line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

Investment properties are depreciated on a straight-line basis over the shorter of the unexpired term of leases and their estimated useful lives. Both the useful life of investment properties and residual values, if any are reviewed annually.

Gains or losses arising from the retirement or disposal of an investment property is determined as the difference between the net disposal proceeds and the carrying amount of the investment property and is recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment

The following items of other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered of the property interest;

– buildings held for own use which are situated on leasehold land;

– right-of-use assets arising from prepaid land lease rentals and related cost; and

– other items of plant and equipment.

The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)). Once completion, the assets under construction are transferred to other categories within other property, plant and equipment. Assets under constructions are stated at historical cost less impairment losses.

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold land	30 – 50 years
–	Buildings held for own use	20 – 30 years
–	Machinery, moulds and equipment	2 – 12 years
–	Office equipment, furniture and fittings	4 – 10 years
–	Electrical, water and utility systems	5 – 10 years
–	Motor vehicles	5 – 7 years

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and building's estimated useful life.

No depreciation is provided for assets under construction. Where parts of an item of other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognies a right-of-use and a lease liability, except for short-term leaves that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial assets are 30 to 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 91 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- investment properties;
- other property, plant and equipment, including right-of-use assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determining the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of the cost and net realisable value.

– Motorbike manufacturing

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

– Properties for sale

The cost of properties for sale comprises of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(i)(i)).

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(t)).

(m) Trade and other payables and contract liabilities

(i) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(ii) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivables would also be recognised.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(i)(i).

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purpose and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under lease in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when the control of goods was transferred. The transfer of the control of goods means that the goods had been delivered to the customer and the customer could solely decide the sales channel and price of the goods. There were no outstanding obligations that would affect the customer's acceptance of the goods. Delivery occurred at the place of delivery specified in the contract, the risk of obsolescence and loss had been transferred to the customer, and the customer had accepted the goods in accordance with the sales contract. The acceptance terms had expired, or the Group had objective evidence that all acceptance conditions had been met.

The Group provided a standard warranty for the sales of goods and therefore had the obligation to provide a refund for product defects. It had set aside a warranty liability provision for this obligation.

(ii) Rendering of services

Revenue from repair services is recognised in profit or loss when services are rendered.

(iii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into United States dollars at the exchange rates approximating the foreign exchange rate ruling at the dates of the transactions. Statement of financial position items are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Impairment loss on other property, plant and equipment

The Group assesses annually whether there are indications of impairment of other property, plant and equipment in accordance with the relevant accounting policies. If such indication exists, the recoverable amounts of the assets would be determined by reference to value-in- use and fair value less costs of disposal. Value-in-use is determined using the discounted cash flow method. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of the assets may be different from its actual recoverable amount and the Group's profit or loss could be affected by the accuracy of the estimations. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(b) Loss allowances on trade receivables

The Group uses provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical credit loss experience (including credit history of its customers) and the current and forecast economic conditions. Management reassesses the provision at the end of each reporting period.

Significant judgement is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, coverage of credit insurance, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market prices and the historical experience of distributing and selling products of a similar nature. These estimates could vary significantly as a result of competitor actions in response to severe industry cycles or other changes in market conditions. Management reassesses the estimations at the end of each reporting period.

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

The principal activities of the Group are manufacturing and sale of motorbikes, related spare parts and engines and provision of motorbike maintenance services.

Further details regarding the Group's principal activities are disclosed in note 4(b).

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021 US$	2020 US$
Revenue from contracts with customers within the scope of IFRS 15		
Manufacture and sale of motorbikes	**82,631,173**	72,965,221
Manufacture and sale of spare parts and engines	**10,268,193**	10,978,227
Moulds and repair services	**119,519**	164,329
	93,018,885	84,107,777

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(b)(ii).

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

The Group's customer base is diversified and includes two customers (2020: one customer) with whom transactions have respectively exceeded 10% of the Group's revenue. During the year ended 31 December 2021, revenue from sales of motorbikes to the customers was as follows:

	2021 US$	2020 US$
Customer A	**30,301,385**	N/A
Customer B	**19,469,004**	22,016,941
	49,770,389	22,016,941

Details of concentration of credit risk arising from the customers are set out in note 22(a).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

– Manufacturing and sale of motorbikes: the Group's principal products are motorbikes manufactured for the Vietnamese market. The Group also exports motorbikes to other countries including Malaysia, the Philippines, Thailand, Greece and Taiwan.

– Manufacturing and sale of spare parts and engines: the Group manufactures engines for use in the Group's motorbikes, while the Group also exports engines to third parties. The Group manufactures parts for use in repair servicing and product assembly.

– Moulds and repair services: the Group manufactures and maintains moulds used for making metal parts, for example, by die-casting and pressing. The Group manufactures moulds to its domestic suppliers and to domestic manufacturers unrelated to the production of parts for the Group's products.

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment result is "adjusted EBIT" i.e. "adjusted earnings or loss before interest and taxes", where "interest" is regarded as net finance income. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profit of an associate, impairment losses on non-current assets and other head office or corporate administration expenses.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), and depreciation and amortisation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

(i) Reconciliation of reportable segment revenues and profit or loss

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	2021			
	Manufacturing and sale of motorbikes *US$*	**Manufacturing and sale of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Total** *US$*
Revenue from external customers recognised at a point in time	82,631,173	10,268,193	119,519	93,018,885
Inter-segment revenue	–	23,693,580	–	23,693,580
Reportable segment revenue	82,631,173	33,961,773	119,519	116,712,465
Segment (loss)/profit before depreciation	(2,569,511)	(2,085,783)	23,713	(4,631,581)
Depreciation	(153,646)	–	–	(153,646)
Reportable segment (loss)/profit ("adjusted EBIT")	(2,723,157)	(2,085,783)	23,713	(4,785,227)
Share of profit of an associate				27,482
Net finance income				1,432,994
Impairment loss on other property, plant and equipment				(390,545)
Impairment loss on prepayments for other property, plant and equipment				(45,585)
Unallocated corporate expenses				(1,811,200)
Loss before taxation				(5,572,081)

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Reconciliation of reportable segment revenues and profit or loss (Continued)

	2020			
	Manufacturing and sale of motorbikes *US$*	Manufacturing and sale of spare parts and engines *US$*	Moulds and repair services *US$*	Total *US$*
Revenue from external customers recognised at a point in time	72,965,221	10,978,227	164,329	84,107,777
Inter-segment revenue	–	23,703,856	–	23,703,856
Reportable segment revenue	72,965,221	34,682,083	164,329	107,811,633
Segment (loss)/profit before depreciation	(1,182,111)	(1,464,131)	21,430	(2,624,812)
Depreciation	(151,230)	–	–	(151,230)
Reportable segment (loss)/profit ("adjusted EBIT")	(1,333,341)	(1,464,131)	21,430	(2,776,042)
Share of profit of an associate				37,156
Net finance income				1,080,922
Impairment loss on other property, plant and equipment				(3,379,872)
Impairment loss on prepayments for other property, plant and equipment				(86,654)
Impairment loss on right-of-use assets				(65,183)
Unallocated corporate expenses				(2,132,695)
Loss before taxation				(7,322,368)

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties and other property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered to or the services were provided. The geographical location of the specified non-current assets is based on the physical location of the assets.

	Revenues from external customers		Specified non-current assets	
	2021	2020	**2021**	2020
	US$	*US$*	***US$***	*US$*
Vietnam (place of domicile)	**25,545,250**	37,743,062	**7,111,768**	7,202,425
Thailand	**37,041,604**	10,432,607	**–**	–
Malaysia	**23,149,906**	23,839,475	**–**	–
Greece	**2,434,888**	2,102,777	**–**	–
The Philippines	**2,349,651**	6,581,861	**–**	–
Taiwan	**114,314**	706,351	**–**	1,302
Other countries	**2,383,272**	2,701,644	**–**	–
	93,018,885	84,107,777	**7,111,768**	7,203,727

5 OTHER INCOME

	2021	2020
	US$	*US$*
Net gain on disposal of other property, plant and equipment	**158,052**	26,446
Others	**277,345**	662,252
	435,397	688,698

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after (crediting)/charging:

(a) Net finance income

	2021	2020
	US$	*US$*
Interest income from banks	**(1,962,267)**	(2,135,977)
Net foreign exchange gain	**(423,943)**	–
Finance income	**(2,386,210)**	(2,135,977)
Interest paid and payable to banks	**902,392**	912,811
Interest on lease liabilities	**50,824**	52,973
Net foreign exchange loss	**–**	89,271
Finance costs	**953,216**	1,055,055
	(1,432,994)	(1,080,922)

(Expressed in United States dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION (Continued)

(b) Staff costs

	2021 **US$**	2020 US$
Contributions to defined contribution retirement plans	**1,150,018**	1,252,871
Severance pay allowance *(note 20)*	**77,782**	171,830
Salaries, wages and other benefits	**9,957,004**	10,575,907
	11,184,804	12,000,608

Description of the defined contribution retirement plan

The Group participates in a defined contribution plan managed by the Vietnam and Taiwan government whereby the Group is required to make contributions to the plan. The applicable rates are 17.5% and 3% of total contractual salaries for the employer's portion of social and health insurance respectively in Vietnam and 6% of total contractual salaries for the employer's contribution in Taiwan. The Group has no obligation for the payment of retirement benefits other than the contributions described above. The Group's contributions vest fully with the employees when contributed into the plan.

(c) Other items

	2021 **US$**	2020 US$
Depreciation of property, plant and equipment		
– other property, plant and equipment	**153,646**	151,349
– investment properties	**29,258**	28,793
	182,904	180,142
Write-down of inventories *(note 13(b))*	**1,483,520**	1,085,672
Impairment loss on other property, plant and equipment *(note 11(c))*	**390,545**	3,379,872
Impairment loss on prepayments for other property, plant and equipment *(note 11(c))*	**45,585**	86,654
Impairment loss on right-of-use assets *(note 11(c))*	**–**	65,183
Auditors' remuneration		
– Audit services	**353,465**	392,571
– Other services	**4,624**	5,639
Research and development expenses *(note (i))*	**2,065,613**	3,118,176
Cost of inventories *(note (ii)) (note 13(b))*	**87,159,261**	75,998,522

Notes:

(i) Research and development expenses include amounts relating to technology transfer fees, staff costs, depreciation expenses, and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses. No development expenditure was capitalised during the years ended 31 December 2021 and 2020.

(ii) Cost of inventories includes amounts relating to staff costs and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

(Expressed in United States dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2021 **US$**	2020 *US$*
Current tax		
Provision for the year	**13,026**	16,890
(Over)/under-provision in respect of prior year	**(12,662)**	22
	364	16,912
Deferred tax		
Origination and reversal of temporary differences	**(3,902)**	(53,432)
Actual tax credit	**(3,538)**	(36,520)

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax for the years ended 31 December 2021 and 2020.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

In accordance with the Law of Foreign Investment of 1987, as amended in 1990 and 1992 in Vietnam, provision for corporate income tax ("CIT") for Vietnam Manufacturing and Export Processing Limited ("VMEP") is calculated at 18% of the taxable profits on motorbike assembling and manufacturing activities and at the rate of 10% of taxable profits on engine assembling and manufacturing activities. The applicable tax rate for profits from other operating activities is 20%.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000 in Vietnam, the applicable CIT rate for Vietnam Casting Forge Precision Limited ("VCFP") is 15% from 2013 onwards.

On 19 June 2013, the National Assembly in Vietnam approved the Law on amendments and supplements to a number of articles of the Corporate Income Tax Law. Accordingly, the highest income tax rate shall be reduced from 25% to 22% for 2015, and to 20% from 2016.

The applicable tax rate for Chin Zong Trading Co., Ltd. ("Chin Zong") is 20% (2020: 20%), if the taxable profit is above new Taiwan Dollar ("NT$") 120,000. Income tax is exempt if the taxable profit is below NT$120,000.

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

	2021 **US$**	2020 *US$*
Loss before taxation	**(5,572,081)**	(7,322,368)
Notional tax on loss before taxation, calculated at the rates applicable to profit or loss in the countries concerned	**(975,422)**	(1,297,858)
Tax effect of non-deductible expenses	**561,060**	727,234
Tax effect of non-taxable income	**(985)**	(9,096)
Tax effect of unused tax losses not recognised	**424,471**	543,178
(Over)/under-provision in prior year	**(12,662)**	22
Actual tax credit	**(3,538)**	(36,520)

(Expressed in United States dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Salaries, allowances and benefits in kind *US$*	Discretionary bonuses *US$*	Directors' fees *US$*	Contributions to defined contribution retirement plans *US$*	2021 Total *US$*
Chairman:					
Liu, Wu Hsiung	**48,956**	**–**	**–**	**–**	**48,956**
Executive directors:					
Lin, Chun Yu	**81,961**	**3,452**	**–**	**–**	**85,413**
Lin, Chih Ming (resigned on 22 April 2021)	**27,030**	**1,849**	**–**	**–**	**28,879**
Chiang, Chin Yung#	**42,990**	**–**	**–**	**–**	**42,990**
Cheng, Hsu Chi (appointed on 22 April 2021 and resigned on 24 March 2022)	**65,255**	**2,174**	**–**	**–**	**67,429**
Non-executive directors:					
Chiu, Ying Feng (resigned on 22 April 2021)	**–**	**–**	**1,500**	**–**	**1,500**
Wu, Li Chu	**–**	**–**	**3,000**	**–**	**3,000**
Chiang, Chin Yung#	**–**	**–**	**1,000**	**–**	**1,000**
Chen, Hsu Pin (appointed on 22 April 2021)	**–**	**–**	**2,080**	**–**	**2,080**
Independent non-executive directors:					
Shen, Hwa Rong (resigned on 30 June 2021)	**–**	**–**	**12,500**	**–**	**12,500**
Lin, Ching Ching	**–**	**–**	**25,000**	**–**	**25,000**
Wu, Kwei Mei	**–**	**–**	**25,000**	**–**	**25,000**
Cheung, On Kit Andrew	**–**	**–**	**25,000**	**–**	**25,000**
	266,192	**7,475**	**95,080**	**–**	**368,747**

Chiang, Chin-Ying was reappointed as non-executive director on 1 September 2021

(Expressed in United States dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (Continued)

	Salaries, allowances and benefits in kind *US$*	Discretionary bonuses *US$*	Directors' fees *US$*	Contributions to defined contribution retirement plans *US$*	2020 Total *US$*
Chairman:					
Liu, Wu Hsiung	46,357	–	–	–	46,357
Executive directors:					
Lin, Chun Yu	75,418	3,223	–	–	78,641
Chiang, Chin Yung	61,295	–	–	–	61,295
Lin, Chih Ming	84,352	3,528	–	–	87,880
Non-executive directors:					
Chiu, Ying Feng	–	–	3,000	–	3,000
Wu, Li Chu	–	–	3,000	–	3,000
Independent non-executive directors:					
Shen, Hwa Rong	–	–	25,000	–	25,000
Lin, Ching Ching	–	–	25,000	–	25,000
Wu, Kwei Mei	–	–	25,000	–	25,000
Cheung, On Kit Andrew (appointed on 4 September 2020)	–	–	8,084	–	8,084
	267,422	6,751	89,084	–	363,257

The emoluments of each individual director are within the band of HK$Nil to HK$1,000,000 for both years ended 31 December 2021 and 2020.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: two are directors) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2020: three) individuals are as follows:

	2021 ***US$***	2020 *US$*
Salaries and other benefits	**200,181**	235,004
Discretionary bonuses	**8,549**	9,930
	208,730	244,934

The emoluments of the three (2020: three) individuals with the highest emoluments are within the band of HK$Nil to HK$1,000,000 for both years ended 31 December 2021 and 2020.

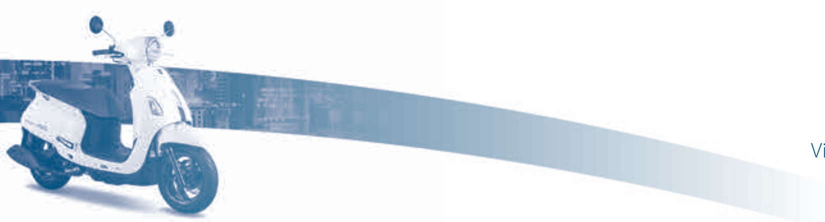
10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of US$5,568,542 (2020: US$7,285,844) and the weighted average of 907,680,000 (2020: 907,680,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The amount of diluted loss per share is the same as the basic loss per share for the year ended 31 December 2021 (2020: same) as there were no potential dilutive ordinary shares in existence during the years ended 31 December 2021 and 2020.



(Expressed in United States dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Other property, plant and equipment									
	Right-of-use assets	Buildings held for own use	Machinery, moulds and equipment	Office equipment, furniture and fittings	Electrical, water and utility systems	Motor vehicles	Assets under construction	Sub-total	Investment properties	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Cost										
At 1 January 2020	12,179,482	20,510,623	70,295,822	1,323,104	7,177,164	985,193	2,594,977	115,066,365	4,247,226	119,313,591
Additions	65,183	264,737	954,433	448,589	–	–	1,713,534	3,446,476	–	3,446,476
Transfer from assets under construction	–	180,653	634,814	–	–	–	(815,467)	–	–	–
Disposals	–	–	(656,958)	–	(2,336)	(3,278)	–	(662,572)	–	(662,572)
Written off	–	(16,003)	(761,278)	(44,392)	–	–	–	(821,673)	–	(821,673)
Exchange adjustments	(42,160)	(77,896)	(278,694)	(3,020)	(24,519)	(4,051)	(13,685)	(444,025)	(17,381)	(461,406)
At 31 December 2020	12,202,505	20,862,114	70,188,139	1,724,281	7,150,309	977,864	3,479,359	116,584,571	4,229,845	120,814,416
At 1 January 2021	12,202,505	20,862,114	70,188,139	1,724,281	7,150,309	977,864	3,479,359	116,584,571	4,229,845	120,814,416
Additions	–	12,801	344,297	26,234	8,791	–	–	392,123	–	392,123
Disposals	–	–	(1,111,965)	(2,999)	(48,076)	(88,737)	–	(1,251,777)	–	(1,251,777)
Written off	–	–	(4,252,335)	(15,774)	–	–	–	(4,268,109)	–	(4,268,109)
Exchange adjustments	127,696	254,038	996,533	21,926	105,384	12,365	33,950	1,551,892	54,442	1,606,334
At 31 December 2021	12,330,201	21,128,953	66,164,669	1,753,668	7,216,408	901,492	3,513,309	113,008,700	4,284,287	117,292,987
Accumulated depreciation and impairment losses										
At 1 January 2020	12,179,482	17,311,343	70,295,822	1,323,079	7,177,164	985,193	2,594,977	111,867,060	32,711	111,899,771
Written back on disposals	–	–	(656,958)	–	(2,336)	(3,278)	–	(662,572)	–	(662,572)
Written off	–	(16,003)	(761,278)	(44,392)	–	–	–	(821,673)	–	(821,673)
Charge for the year	–	151,205	–	144	–	–	–	151,349	28,793	180,142
Impairment loss	65,183	445,390	1,589,247	447,168	–	–	898,067	3,445,055	–	3,445,055
Exchange adjustments	(42,160)	(63,936)	(278,694)	(3,020)	(24,519)	(4,051)	(13,685)	(430,065)	31	(430,034)
At 31 December 2020	12,202,505	17,827,999	70,188,139	1,722,979	7,150,309	977,864	3,479,359	113,549,154	61,535	113,610,689
At 1 January 2021	12,202,505	17,827,999	70,188,139	1,722,979	7,150,309	977,864	3,479,359	113,549,154	61,535	113,610,689
Written back on disposals	–	–	(1,111,965)	(119)	(48,076)	(88,737)	–	(1,248,897)	–	(1,248,897)
Written off	–	–	(4,252,335)	(15,774)	–	–	–	(4,268,109)	–	(4,268,109)
Charge for the year	–	153,646	–	–	–	–	–	153,646	29,258	182,904
Impairment loss	–	12,801	344,297	24,656	8,791	–	–	390,545	–	390,545
Exchange adjustments	127,696	215,369	996,533	21,926	105,384	12,365	33,950	1,513,223	864	1,514,087
At 31 December 2021	12,330,201	18,209,815	66,164,669	1,753,668	7,216,408	901,492	3,513,309	110,089,562	91,657	110,181,219
Net book value										
At 31 December 2021	–	2,919,138	–	–	–	–	–	2,919,138	4,192,630	7,111,768
At 31 December 2020	–	3,034,115	–	1,302	–	–	–	3,035,417	4,168,310	7,203,727

(Expressed in United States dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

Right-of-use assets represent the ownership interests in leasehold land and other properties leased for own use. The Group's right-of-use assets were fully impaired as at 31 December 2021 and 2020. See note 11(c).

(i) Ownership interests in leasehold land

The Group holds several leasehold land for its motorbike business, where its manufacturing facilities are primarily located. The leases are with remaining lease term of between 10 and 50 years. The Group is the registered owner of these land.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office buildings and warehouses through tenancy agreements. The leases typically run for an initial period of one to five years.

During 2020, additions to right-of-use assets were US$65,183. This amount included the capitalised lease payments payable under new tenancy agreements for office buildings.

(iii) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 ***US$***	2020 *US$*
Interest on lease liabilities *(note 6(a))*	**50,824**	52,973
Expense relating to leases of low-value assets	**937**	1,096

(c) Impairment losses

The manufacturing and sale of motorbikes segment, manufacturing and sale of spare parts and engines segment and moulds and services segment ("motorbike business") in Vietnam are considered one cash generating unit ("CGU") of the Group.

The Group suffered significant operating losses (before impairment losses on non-current assets) over the past few years due to the fierce competition in the motorbike industry and increase of manufacturing costs on new launched products. Based on an impairment assessment conducted by management, impairment losses totalling US$436,130 (2020: US$3,531,709) was recognised in profit or loss during the year to write down the carrying value of other property, plant and equipment, right-of-use assets and prepayments for other property, plant and equipment of the CGU to their recoverable amounts of US$2,919,138 (2020: US$3,035,417).

The recoverable amount of the CGU is determined based on the higher of its value-in-use and the fair value less costs of disposal. Management identified certain buildings included in the CGU, which carrying values are likely to be recovered through a sales transaction. The recoverable amounts of these buildings are measured based on their fair value less costs of disposal. This valuation model considers recent sales prices of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result a higher fair value measurement. The fair value on which recoverable amount is based is categorised as a Level 3 measurement under the three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. Key unobservable inputs include the premium on quality of the buildings 3% (2020: 5%). For assets which management considers are likely to be recovered through continuing use, the Group assessed the recoverable amount based on value-in-use calculation. These calculations use cash flow forecast based on financial budgets approved by management in which cash flows are discounted using pre-tax discount rate of 13% (2020: 15%).

(Expressed in United States dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) Fair value of investment properties

As at 31 December 2021, the fair value of investment properties amounted to US$6,904,000 (2020: US$6,769,000) which is determined based on valuations carried out by Hoang Quan Appraisal Limited and Dinh Vang Co., Ltd., independent professional valuers.

The fair value of the Group's investment properties falls under Level 3 of the three-level fair value hierarchy as defined in IFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique. The fair value of investment properties are determined on market basis by reference to comparable sales evidence as available in the relevant markets, with adjustments to the comparable transactions to reflect the differences in specifications between the subjects and comparable.

12 INTEREST IN AN ASSOCIATE

The Group's interest in an associate of US$615,055 (2020: US$580,039) at 31 December 2021 represents its share of the net assets of the Vietnam Three Brothers Machinery Industry Co., Limited ("VTBM").

VTBM was originally a wholly foreign-owned enterprise established on 5 September 2002 with a registered capital of US$1,000,000 by Three Brothers Machinery Industry Co., Ltd. (registered in Taiwan), a subsidiary of Sanyang Motor Co., Ltd., the Company's ultimate holding company. On 7 April 2003, the Group acquired 31% of the contributed capital of VTBM.

VTBM's licensed period of operation is 50 years and its principal activities are manufacturing and sale of motorbike-related spare parts.

VTBM is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of VTBM, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2021 ***US$***	2020 *US$*
Gross amount of the associate		
Current assets	**2,329,055**	2,515,477
Non-current assets	**640,621**	723,022
Current liabilities	**(985,628)**	(1,367,405)
Equity	**1,984,048**	1,871,094
Revenue	**10,667,721**	4,768,179
Profit from continuing operations	**88,653**	119,858
Other comprehensive income	**24,301**	(6,505)
Total comprehensive income	**112,954**	113,353
Reconciled to the Group's interest in the associate		
Gross amount of net assets of the associate	**1,984,048**	1,871,094
Group's effective interest	**31%**	31%
Group's share of net assets of the associate and the carrying amount in the consolidated financial statements	**615,055**	580,039

(Expressed in United States dollars unless otherwise indicated)

13 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021	2020
	US$	*US$*
Motorbikes manufacturing		
– Raw materials	**23,698,036**	17,092,238
– Tools and supplies	**354,000**	397,117
– Work in progress	**319,890**	366,213
– Finished goods	**2,695,201**	4,698,860
– Merchandise inventories *(note (i))*	**3,104,430**	2,622,451
	30,171,557	25,176,879
Provision for write-down of inventories	**(3,689,771)**	(2,733,199)
	26,481,786	22,443,680
Properties *(note (ii))*	**3,010,471**	2,972,216
	29,492,257	25,415,896

Notes:

(i) Merchandise inventories mainly represent spare parts kept for repairs and maintenance.

(ii) The balance represents the share of properties interest under an investment cooperation memorandum. In 2019, the Group has established a joint arrangement with an unrelated third party to undertake property investing in Vietnam in the form of a joint operation. In accordance with the investment cooperation memorandum, the decisions about relevant activities require unanimous consent of the parties sharing control and, therefore management has accounted for the investments as a joint operation, which is accounted for using the line-by-line basis to the extent of the Group's interest in the joint operation. Details of the arrangement and key terms of the investment cooperation memorandum were disclosed in the Company's announcements dated 24 October 2019 and 4 November 2019. At 31 December 2021 and 31 December 2020, the properties are under development stage.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021	2020
	US$	*US$*
Carrying amount of inventories sold	**85,675,741**	74,912,850
Write-down of inventories	**1,483,520**	1,085,672
	87,159,261	75,998,522

(c) Movements in the provision for write-down of inventories were as follows:

	2021	2020
	US$	*US$*
At 1 January	**2,733,199**	4,205,281
Additions	**1,483,520**	1,085,672
Utilisation	**(565,739)**	(2,532,468)
Exchange adjustments	**38,791**	(25,286)
At 31 December	**3,689,771**	2,733,199

(Expressed in United States dollars unless otherwise indicated)

14 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2021 US$	2020 US$
Trade receivables *(note 14(a))*	**10,543,474**	12,360,754
Non-trade receivables *(note 14(b))*	**14,491,519**	12,106,333
Prepayments *(note 14(c))*	**160,080**	147,313
Amounts due from related parties *(note 24(b))*		
– Trade *(note 14(a))*	**527,928**	103,261
– Non-trade	**55,261**	79,783
	25,778,262	24,797,444

(a) Trade receivables

(i) Ageing analysis

All of the trade receivables (including trade receivables and amounts due from related parties) are expected to be recovered within one year.

As of the end of the reporting period, the aging analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2021 US$	2020 US$
Within 3 months	**10,539,789**	12,252,029
More than 3 months but within 1 year	**530,802**	211,986
More than 1 year	**811**	–
	11,071,402	12,464,015

Trade receivables are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 22(a).

(ii) Trade receivables that are not impaired

The aging analysis of trade receivables of the Group that are neither individually nor collectively considered to be impaired are as follows:

	2021 US$	2020 US$
Neither past due nor impaired	**10,039,633**	12,106,829
Less than 1 month past due	**369,950**	356,418
1 to 3 months past due	**130,206**	768
3 months to 1 year past due	**530,802**	–
More than 1 year past due	**811**	–
	1,031,769	357,186
	11,071,402	12,464,015

14 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Non-trade receivables

	2021	2020
	US$	*US$*
Deductible value-added tax	**5,611,170**	5,112,968
Import tax refundable	**6,058,004**	4,462,430
Interest receivable	**1,116,031**	736,445
Others	**1,706,314**	1,794,490
	14,491,519	12,106,333

The above balances are expected to be recovered or utilised within one year.

(c) Prepayments

	2021	2020
	US$	*US$*
Prepayments	**85,228**	107,000
Advances to suppliers	**74,852**	40,313
	160,080	147,313

15 CASH AND BANK BALANCES

	Note	**2021**	2020
		US$	*US$*
Cash at banks and on hand		**8,911,391**	8,132,208
Time deposits maturing within 3 months		**1,626,531**	7,616,318
Cash and cash equivalents in the consolidated cash flow statement	*15(a)*	**10,537,922**	15,748,526
Time deposits maturing after 3 months	*15(b)*	**40,046,666**	33,330,290
		50,584,588	49,078,816

(a) Cash and cash equivalents in the consolidated cash flow statement comprise:

	2021	2020
	US$	*US$*
Denominated in VN$	**7,520,127**	6,475,277
Denominated in US$	**2,768,168**	9,157,199
Denominated in RMB	**19**	19
Denominated in NT$	**249,608**	116,031
	10,537,922	15,748,526

15 CASH AND BANK BALANCES (Continued)

(b) Time deposits maturing after three months

	2021 US$	2020 US$
Denominated in VN$	36,496,666	31,380,290
Denominated in US$	3,550,000	1,950,000
	40,046,666	33,330,290

The effective interest rates per annum relating to time deposits maturing after three months are as follows:

	2021 US$	2020 US$
Effective interest rates – VN$	4.4% – 6.0%	4.5% – 7.5%
Effective interest rates – US$	0.3 %	1%

As at 31 December 2021, certain of the Group's time deposits with an aggregate value of US$22,351,871 (2020: US$18,621,528) were pledged to secure bank loans of the Group (see note 17).

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans US$ (note 17)	Lease liabilities US$ (note 18)	Total US$
At 1 January 2021	30,529,160	739,743	31,268,903
Changes from financing cash flows:			
Proceeds from borrowings	94,300,122	–	94,300,122
Repayment of borrowings	(89,187,704)	–	(89,187,704)
Capital element of lease rentals paid	–	(40,212)	(40,212)
Interest element of lease rentals paid	–	(50,824)	(50,824)
Other borrowing costs paid	(902,392)	–	(902,392)
	4,210,026	(91,036)	4,118,990
Other changes:			
Exchange adjustments	410,721	9,420	420,141
Interest expenses *(note 6(a))*	902,392	50,824	953,216
Total other changes	1,313,113	60,244	1,373,357
At 31 December 2021	36,052,299	708,951	36,761,250

(Expressed in United States dollars unless otherwise indicated)

15 CASH AND BANK BALANCES (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans US$ (note 17)	Lease liabilities US$ (note 18)	Total US$
At 1 January 2020	27,943,369	943,830	28,887,199
Changes from financing cash flows:			
Proceeds from borrowings	73,700,785	–	73,700,785
Repayment of borrowings	(70,871,044)	–	(70,871,044)
Capital element of lease rentals paid	–	(43,482)	(43,482)
Interest element of lease rentals paid	–	(52,973)	(52,973)
Other borrowing costs paid	(912,811)	–	(912,811)
	1,916,930	(96,455)	1,820,475
Other changes:			
Exchange adjustments	(243,950)	(5,001)	(248,951)
Increase in lease liabilities from entering into new lease during the year	–	65,183	65,183
Others	–	(220,787)	(220,787)
Interest expenses *(note 6(a))*	912,811	52,973	965,784
Total other changes	668,861	(107,632)	561,229
At 31 December 2020	30,529,160	739,743	31,268,903

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2021 ***US$***	2020 *US$*
Within operating cash flows	**937**	1,096
Within financing cash flows	**91,036**	96,455
	91,973	97,551

These amounts relate to the following:

	2021 ***US$***	2020 *US$*
Lease rentals paid	**91,973**	97,551

(Expressed in United States dollars unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

	2021 US$	2020 US$
Trade payables *(note 16(a))*	**4,711,066**	6,005,364
Other payables and accrued operating expenses *(note 16(b))*	**5,091,241**	6,518,201
Contract liabilities – billings in advance of performance *(note 16(c))*	**1,280,985**	596,014
Amounts due to related parties *(note 24(c))*		
– Trade *(note 16(a))*	**11,961,731**	2,640,028
– Non-trade	**243,874**	1,593,336
	23,288,897	17,352,943

All the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Trade payables

As of the end of the reporting period, the aging analysis of trade payables of the Group (including trade payables due to related parties), based on the invoice date, is as follows:

	2021 US$	2020 US$
Within 3 months	**16,647,442**	8,465,316
More than 3 months but within 1 year	**24,739**	169,035
More than 1 year but within 5 years	**616**	11,041
	16,672,797	8,645,392

(b) Other payables and accrued operating expenses

	2021 US$	2020 US$
Other tax payables	**47,913**	207,724
Commission and bonuses payable to dealers	**779,200**	313,779
Accrued expenses	**2,040,276**	1,769,403
Other payables	**2,223,852**	4,227,295
	5,091,241	6,518,201

(c) Contract liabilities – billings in advance of performance

When the Group receives a deposit before the delivery of products in its sales activity, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the sales exceeds the amount of the deposit. The Group typically receives a 100% deposit on acceptance of domestic sales orders. The amount of revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is US$596,014 (2020: US$1,180,324).

17 BANK LOANS

At 31 December 2021, the bank loans are interest-bearing at 2.0% to 3.4% (2020: 2.5% to 3.6%) per annum and to be settled within 3 to 9 months. The bank loans of the Group were secured by certain time deposits of the Group (see note 15(b)).

(Expressed in United States dollars unless otherwise indicated)

18 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	2021		2020	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	US$	***US$***	*US$*	*US$*
Within 1 year	**9,302**	**57,511**	39,800	90,102
After 1 year but within 2 years	**6,867**	**54,443**	9,184	56,780
After 2 years but within 5 years	**23,531**	**163,328**	21,753	161,253
After 5 years	**669,251**	**1,553,709**	669,006	1,587,757
	699,649	**1,771,480**	699,943	1,805,790
	708,951	**1,828,991**	739,743	1,895,892
Less: total future interest expenses		**1,120,040**		1,156,149
Present value of lease liabilities		**708,951**		739,743

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021	2020
	US$	*US$*
Provision for tax for the year	**13,026**	16,890
Provisional tax paid	**(5,923)**	(86,183)
Balance of Profits Tax (refundable)/provision relating to prior years	**(42,749)**	40,124
	(35,646)	(29,169)
Exchange adjustments	**10,477**	918
	(25,169)	(30,087)
Representing:		
Tax recoverable	**(32,340)**	(31,851)
Tax payable	**7,171**	1,764
	(25,169)	(30,087)

(Expressed in United States dollars unless otherwise indicated)

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Unrealised exchange differences *US$*
At 1 January 2020	29,864
Credit to profit or loss	53,432
Exchange adjustments	4,617
At 31 December 2020 and 1 January 2021	87,913
Credit to profit or loss	3,902
Exchange adjustments	1,388
At 31 December 2021	93,203

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of US$36,081,825 (2020: US$31,261,408) of a subsidiary as at 31 December 2021, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses would expire within 5 years under current tax legislation.

20 PROVISIONS

	Warranties *US$*	Severance pay *US$*	Total *US$*
At 1 January 2020	77,554	934,636	1,012,190
Additional provisions made	31,281	171,830	203,111
Provision utilised	(51,935)	(59,844)	(111,779)
Exchange adjustments	(435)	(2,681)	(3,116)
At 31 December 2020	56,465	1,043,941	1,100,406
At 1 January 2021	56,465	1,043,941	1,100,406
Additional provisions made	6,148	77,782	83,930
Provision utilised	(30,996)	(106,101)	(137,097)
Exchange adjustments	664	10,532	11,196
At 31 December 2021	32,281	1,026,154	1,058,435

Pursuant to the labour regulations in Vietnam, employers are required to pay a severance allowance to each local employee, who joined the Company before 1 January 2009, which was calculated as half a month's salary for every completed year of service when the employee leaves the Group. In addition, pursuant to the policy of the Group, a severance allowance will be paid to each Taiwanese employee (calculated as one month's salary for every completed year of service) when the employee leaves the Group. For both severance allowances, the obligation vests and is payable regardless of the reasons for departure.

(Expressed in United States dollars unless otherwise indicated)

21 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Share capital	Share premium	Capital reserve	Accumulated losses	Total
	US$	US$	US$	US$	US$
Balance at 1 January 2020	1,162,872	112,198,709	1,962,666	(49,298,094)	66,026,153
Change in equity for 2020:					
Total comprehensive income for the year	–	–	–	(9,309,838)	(9,309,838)
Balance at 31 December 2020 and 1 January 2021	1,162,872	112,198,709	1,962,666	(58,607,932)	56,716,315
Change in equity for 2021:					
Total comprehensive income for the year	–	–	–	(5,004,073)	(5,004,073)
Balance at 31 December 2021	1,162,872	112,198,709	1,962,666	(63,612,005)	51,712,242

(b) Share capital

	2021		2020	
	Number of shares	**Amount US$**	Number of shares	Amount US$
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**12,811,479**	10,000,000,000	12,811,479
Ordinary shares, issued and fully paid:				
At 1 January/31 December	**907,680,000**	**1,162,872**	907,680,000	1,162,872

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy adopted for foreign currencies (see note 2(s)).

21 CAPITAL AND RESERVES (Continued)

(d) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was US$50,549,370 (2020: US$55,553,443).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group defines "capital" as including all components of equity less unaccrued proposed dividends.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements in either the current or prior year.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's business strategies, tolerance of risk and general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions.

The Group's financial assets comprise mainly cash and cash equivalents, trade and other receivables and deposits with banks. The Group's financial liabilities comprise bank loans and trade and other payables.

Exposure to credit, currency, interest rate and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers. The Group's exposure to credit risk arising from bank deposits and cash is limited because the counterparties are banks and financial institutions with high credit rating for which the Group considers to have low risk.

The Group's exposure to credit risk is low as the Group generally offers no credit terms to domestic customers, which accounted for approximately 19% (2020: 33%) of total revenue. Overseas customers are generally granted credit terms ranging from 30 days to 90 days.

At the end of the reporting period, 40% (2020: 56%) of the total trade receivables was due from the Group's largest debtor.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group measures loss allowance on financial assets based on the past loss experience, existing market conditions, coverage of credit insurance as well as forward looking information at the end of each reporting period. Having considered those factors, the Group considered that there is no significant loss allowance recognised in accordance with IFRS 9 as at 31 December 2021 and 2020, and no expected credit loss rate has therefore been disclosed.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. In addition, the Group's deposits with banks and bank loans denominated in a currency other than the functional currency of the entity to which they relate also give rise to currency risk. The currency giving rise to significant currency risk is primarily US$ and NT$.

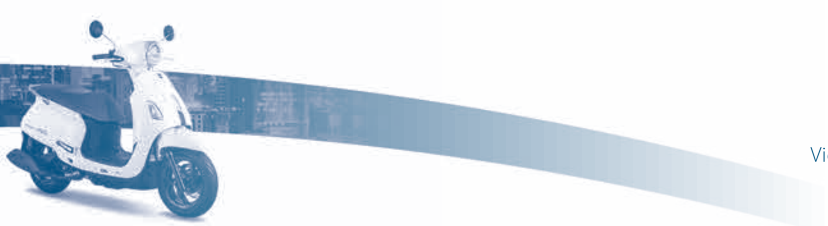
The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

2021	**Exposure to foreign currencies (expressed in US$)**	
	US$	***NT$***
Trade and other receivables	**8,678,082**	**–**
Time deposits maturing after three months	**1,950,000**	**–**
Cash and cash equivalents	**2,271,978**	**–**
Trade and other payables	**(1,564,134)**	**–**
Bank loans	**(34,544,051)**	**–**
Net exposure arising from recognised assets and liabilities	**(23,208,125)**	**–**

2020	Exposure to foreign currencies (expressed in US$)	
	US$	*NT$*
Trade and other receivables	9,564,044	–
Time deposits maturing after three months	1,950,000	–
Cash and cash equivalents	5,147,618	–
Trade and other payables	(3,987,602)	(470,560)
Bank loans	(30,529,160)	–
Net exposure arising from recognised assets and liabilities	(17,855,100)	(470,560)



(Expressed in United States dollars unless otherwise indicated)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2021			2020		
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) loss after tax** *US$*	**Increase/ (decrease) accumulated losses** *US$*	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) loss after tax *US$*	Increase/ (decrease) accumulated losses *US$*
US$	**5%**	**954,545**	**954,545**	5%	735,461	735,461
	(5)%	**(954,545)**	**(954,545)**	(5)%	(735,461)	(735,461)
NT$	**5%**	**–**	**–**	5%	19,293	19,293
	(5)%	**–**	**–**	(5)%	(19,293)	(19,293)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2020.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits and bank borrowings. All the bank borrowings are on fixed rate basis. The Group did not materially expose to interest rates fluctuation.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term. The contractual maturities of financial liabilities are disclosed in notes 16, 17 and 18.

(Expressed in United States dollars unless otherwise indicated)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow					
2021	**Within 1 year or on demand** *US$*	**1 to 2 years** *US$*	**2 to 5 years** *US$*	**More than 5 years** *US$*	**Total** *US$*	**Carrying amount at 31 December** *US$*
Trade and other payables excluding contract liabilities	**22,007,912**	**–**	**–**	**–**	**22,007,912**	**22,007,912**
Bank loans	**36,421,614**	**–**	**–**	**–**	**36,421,614**	**36,052,299**
Lease liabilities	**57,511**	**54,443**	**163,328**	**1,553,709**	**1,828,991**	**708,951**
	58,487,037	**54,443**	**163,328**	**1,553,709**	**60,258,517**	**58,769,162**

	Contractual undiscounted cash outflow					
2020	Within 1 year or on demand *US$*	1 to 2 years *US$*	2 to 5 years *US$*	More than 5 years *US$*	Total *US$*	Carrying amount at 31 December *US$*
Trade and other payables excluding contract liabilities	16,756,929	–	–	–	16,756,929	16,756,929
Bank loans	30,837,342	–	–	–	30,837,342	30,529,160
Lease liabilities	90,102	56,780	161,253	1,587,757	1,895,892	739,743
	47,684,373	56,780	161,253	1,587,757	49,490,163	48,025,832

(e) Business risk

The Group has certain concentration risk of raw materials and finished goods sourcing from related parties. The Group's total purchases of raw materials and finished goods from the related parties amounted to US$40,588,301 (2020: US$17,406,250) which accounted for approximately 53% (2020: 26%) of the Group's total purchases for the year ended 31 December 2021.

In the opinion of the directors, the Group has taken appropriate quality control measures to mitigate the effect from any claims caused by products, which may affect adversely its financial results and has made sufficient provision for warranty claims.

(f) Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values.

23 COMMITMENTS

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021 *US$*	2020 *US$*
Contracted for	**1,265,084**	1,249,008

(Expressed in United States dollars unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, transactions with the following parties are considered as material related party transactions:

Name of party	Relationship
Sanyang Motor Co., Ltd. ("Sanyang")	The ultimate holding company
Zhangjiagang Qingzhou Engineering Industry Co., Ltd.	A subsidiary of Sanyang
Sanyang Global Co., Ltd.	A subsidiary of Sanyang
Xiamen Xiashing Motorcycle Co., Ltd.	A subsidiary of Sanyang
Vietnam Three Brothers Machinery Industry Co., Limited	The associate of the Company and a non-wholly owned subsidiary of Sanyang

(a) Recurring transactions

	2021	2020
	US$	*US$*
Sales of finished goods and spare parts: *Note (i)*		
Sanyang Motor Co., Ltd.	**114,059**	517,982
Xiamen Xiashing Motorcycle Co., Ltd.	**879,612**	30,679
	993,671	548,661

	2021	2020
	US$	*US$*
Purchases of raw materials and finished goods: *Note (ii)*		
Sanyang Motor Co., Ltd.	**5,299,569**	4,348,762
Sanyang Global Co., Ltd.	**619,636**	1,022,303
Xiamen Xiashing Motorcycle Co., Ltd.	**30,597,403**	8,373,245
Vietnam Three Brothers Machinery Industry Co., Limited	**4,071,693**	3,661,940
	40,588,301	17,406,250

(Expressed in United States dollars unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions (Continued)

	2021	2020
	US$	*US$*
Purchases of other property, plant and equipment: *Note (iii)*		
Sanyang Motor Co., Ltd.	**105,772**	45,941
Xiamen Xiashing Motorcycle Co., Ltd.	**–**	1,430
Vietnam Three Brothers Machinery Industry Co., Limited	**176,209**	91,740
	281,981	139,111

	2021	2020
	US$	*US$*
Technology transfer fees: *Note (iv)*		
Sanyang Motor Co., Ltd.	**681,197**	1,104,521
Technical consultancy fees: *Note (v)*		
Sanyang Motor Co., Ltd.	**54,000**	59,555

Notes:

(i) Sales of finished goods and spare parts are carried out based on mutually agreed terms with reference to comparable market prices, where applicable, and in the ordinary course of business.

(ii) Purchases of raw materials and finished goods are carried out based on mutually agreed terms with reference to comparable market prices, where applicable, and in the ordinary course of business.

(iii) Purchases of other property, plant and equipment were carried out based on mutually agreed terms with reference to comparable market prices, where applicable, and in the ordinary course of business.

(iv) Pursuant to certain technology transfer agreements entered into between Sanyang, the Company and VMEP ("Technology License Agreements"), Sanyang has granted an exclusive license to VMEP to use the technology, know-how, trade secrets and production information owned by Sanyang in connection with the Group's manufacturing and sale of "SYM" brand motorbikes and related parts in all of the member countries of the Association of South East Asians Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The license fee as provided for in the Technology License Agreement is 4% of the annual net selling price of products manufactured using such technology. Starting from 1 January 2017, technology transfer fees are only payable for motorbikes and related products within 3 years from the date of commencement of mass production.

(v) Technical consultancy fees charged by Sanyang are staff costs and other related expenses, as defined in the technical consultancy agreement entered into between the Company and Sanyang.

(Expressed in United States dollars unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Amounts due from related parties

	2021 US$	2020 US$
Trade		
Sanyang Motor Co., Ltd.	6,891	11,830
Sanyang Global Co., Ltd.	7	624
Xiamen Xiashing Motorcycle Co., Ltd.	445,473	7,851
Vietnam Three Brothers Machinery Industry Co., Limited	75,557	82,956
Subtotal	527,928	103,261
Non-trade		
Sanyang Motor Co., Ltd.	55,261	742
Vietnam Three Brothers Machinery Industry Co, Limited.	–	79,041
Subtotal	55,261	79,783
Total	583,189	183,044

Trade balances due from related parties are unsecured, interest-free and are expected to be recovered within 60 days. The non-trade balances due from related parties are expected to be recovered within one year.

(c) Amounts due to related parties

	2021 US$	2020 US$
Trade		
Sanyang Motor Co., Ltd.	669,936	944,540
Sanyang Global Co., Ltd.	6,830	65,399
Xiamen Xiashing Motorcycle Co., Ltd.	10,738,784	1,070,176
Vietnam Three Brothers Machinery Industry Co., Limited	546,181	559,913
Subtotal	11,961,731	2,640,028
Non-trade		
Sanyang Motor Co., Ltd.	243,874	1,593,336
Total	12,205,605	4,233,364

Trade payables due to related parties are all unsecured, interest-free and are expected to be settled within 30 to 60 days.

The non-trade balances due to related parties are expected to be settled within one year.

(Expressed in United States dollars unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2021	2020
	US$	*US$*
Short-term employee benefits	**995,269**	787,389

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of note 24(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Directors' Report.

25 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2021	2020
	US$	*US$*
Non-current assets		
Other property, plant and equipment	**–**	1,302
Investments in subsidiaries	**50,151,167**	46,379,268
	50,151,167	46,380,570
Current assets		
Other receivables and prepayments	**2,722**	7,004,041
Cash and cash equivalents	**2,096,190**	4,009,581
	2,098,912	11,013,622
Current liabilities		
Other payables	**340,875**	452,058
Provisions	**196,962**	225,819
	537,837	677,877
Net current assets	**1,561,075**	10,335,745
NET ASSETS	**51,712,242**	56,716,315
Capital and reserves		
Share capital	**1,162,872**	1,162,872
Reserves	**50,549,370**	55,553,443
TOTAL EQUITY	**51,712,242**	56,716,315

Approved and authorised for issue by the Board of Directors on 29 March 2022.

Liu, Wu Hsiung
Director

Lin, Chun Yu
Director

(Expressed in United States dollars unless otherwise indicated)

26 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the immediate parent and ultimate controlling party of the Company to be SY International Ltd. and Sanyang Motor Co., Ltd., respectively. Sanyang Motor Co., Ltd. is incorporated in Taiwan and produces financial statements available for public use.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to IAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(Expressed in United States dollars unless otherwise indicated)

28 LIST OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2021 are set out below. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation, establishment and operation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest		Principal activities
			Held by the Company %	Held by a subsidiary %	
Vietnam Manufacturing and Export Processing Co., Ltd	Vietnam 25 March 1992	US$147,060,000/ US$147,060,000	100	–	Manufacturing and sale of motorbikes and related spare parts
Chin Zong Trading Co., Ltd.	Taiwan 6 July 2007	US$4,528,712/ US$9,057,424	100	–	Sale of motor vehicles and motorbikes and related spare parts
Vietnam Casting Forge Precision Ltd.	Vietnam 12 April 2002	US$4,500,000/ US$4,500,000	–	100	Manufacturing of spare parts for motorbikes and motor vehicles
Dinh Duong Joint Stock Company	Vietnam 28 September 2018	US$7,269,361/ US$7,269,361	–	99.9	Real estate development