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Vietnam Manufacturing and Export Processing (Holdings) Limited

越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial Highlights :

	(expressed in US\$'million)		
	2020	2019	Change Amount
• Total revenue	84.1	99.5	(15.4)
• Gross profit	8.1	5.4	2.7
• Net loss after tax	(7.3)	(17.6)	10.3
• Loss per share (US\$)	(0.01)	(0.02)	0.01

The board of directors (the “**Board**”) of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “**Company**”) hereby announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the immediately preceding financial year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

(Expressed in United States dollars)

		2020 US\$	2019 US\$
Revenue	Note 2	84,107,777	99,499,318
Cost of sales		<u>(75,998,522)</u>	<u>(94,127,826)</u>
Gross profit		8,109,255	5,371,492
Other income		688,698	368,428
Distribution costs		(4,737,206)	(5,886,848)
Technology transfer fees		(1,104,521)	(1,276,535)
Administrative and other operating expenses		<u>(7,864,963)</u>	<u>(9,565,931)</u>
Results from operations	(4,908,737)(10,989,394)
Finance income		2,135,977	2,471,854
Finance costs		<u>(1,055,055)</u>	<u>(826,688)</u>
Net finance income	3(a)1,080,9221,645,166
Impairment loss on other property, plant and equipment	3(c)	(3,379,872)	(5,913,295)
Impairment loss on prepayments for other property, plant and equipment	3(c)	(86,654)	(1,379,586)
Impairment loss on right-of-use assets	3(c)	(65,183)	(995,047)
Share of profit of an associate		<u>37,156</u>	<u>61,787</u>
	(3,494,553)(8,226,141)
Loss before taxation	3	(7,322,368)	(17,570,369)
Income tax credit/(expense)	4	<u>36,520</u>	<u>(23,880)</u>
Loss for the year		<u><u>(7,285,848)</u></u>	<u><u>(17,594,249)</u></u>

**Consolidated Statement of Profit or Loss and Other
Comprehensive Income for the year ended 31 December 2020
(continued)**

(Expressed in United States dollars)

	Note	2020 US\$	2019 US\$
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		<u>192,415</u>	<u>35,312</u>
Total comprehensive income for the year		<u><u>(7,093,433)</u></u>	<u><u>(17,558,937)</u></u>
Loss for the year attributable to:			
Equity shareholders of the Company		(7,285,844)	(17,594,257)
Non-controlling interests		<u>(4)</u>	<u>8</u>
		<u><u>(7,285,848)</u></u>	<u><u>(17,594,249)</u></u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		(7,093,429)	(17,558,945)
Non-controlling interests		<u>(4)</u>	<u>8</u>
		<u><u>(7,093,433)</u></u>	<u><u>(17,558,937)</u></u>
Loss per share			
- Basic and diluted	5	<u><u>(0.01)</u></u>	<u><u>(0.02)</u></u>

Consolidated Statement of Financial Position at 31 December 2020

(Expressed in United States dollars)

	Note	2020 US\$	2019 US\$
Non-current assets			
Investment properties		4,168,310	4,214,515
Other property, plant and equipment	6	3,035,417	3,199,305
Interest in an associate		580,039	544,900
Deferred tax assets		<u>87,913</u>	<u>29,864</u>
		<u>7,871,679</u>	<u>7,988,584</u>
Current assets			
Inventories	7	25,415,896	23,320,944
Trade receivables, other receivables and prepayments	8	24,797,444	25,883,043
Current tax recoverable		31,851	-
Cash and bank balances		<u>49,078,816</u>	<u>52,028,047</u>
		<u>99,324,007</u>	<u>101,232,034</u>
Current liabilities			
Trade and other payables	9	17,352,943	14,716,024
Bank loans		30,529,160	27,943,369
Lease liabilities		39,800	18,194
Current tax payable		1,764	40,102
Provisions		<u>1,100,406</u>	<u>1,012,190</u>
		<u>49,024,073</u>	<u>43,729,879</u>
Net current assets		<u>50,299,934</u>	<u>57,502,155</u>
Total assets less current liabilities		<u>58,171,613</u>	<u>65,490,739</u>
Non-current liabilities			
Lease liabilities		<u>699,943</u>	<u>925,636</u>
NET ASSETS		<u>57,471,670</u>	<u>64,565,103</u>

Consolidated Statement of Financial Position at 31 December 2020

(continued)

(Expressed in United States dollars)

	2020 <i>US\$</i>	2019 <i>US\$</i>
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	<u>56,304,487</u>	<u>63,397,916</u>
Total equity attributable to equity shareholders of the Company	57,467,359	64,560,788
Non-controlling interests	<u>4,311</u>	<u>4,315</u>
TOTAL EQUITY	<u><u>57,471,670</u></u>	<u><u>64,565,103</u></u>

Notes:

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's financial statements for the year ended 31 December 2020, but is derived from those financial statements.

(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.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(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 and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group 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.

(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.

2. 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 2(b).

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

	2020 <i>US\$</i>	2019 <i>US\$</i>
Revenue from contracts with customers within the scope of IFRS 15		
Manufacture and sale of motorbikes	72,965,221	85,934,693
Manufacture and sale of spare parts and engines	10,978,227	13,532,031
Moulds and repair services	<u>164,329</u>	<u>32,594</u>
	<u><u>84,107,777</u></u>	<u><u>99,499,318</u></u>

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 2(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 one customer (2019: one customer) with whom transactions have exceeded 10% of the Group's revenue. During the year ended 31 December 2020, revenue from sales of motorbikes to the customers was as follows:

	2020 <i>US\$</i>	2019 <i>US\$</i>
Customer A	<u><u>22,016,941</u></u>	<u><u>24,298,005</u></u>

(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.

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 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 2020 and 2019 is set out below:

	2020			
	Manufacture and sale of motorbikes US\$	Manufacture 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	-	<u>23,703,856</u>	-	<u>23,703,856</u>
Reportable segment revenue	<u>72,965,221</u>	<u>34,682,083</u>	<u>164,329</u>	<u>107,811,633</u>
Segment (loss)/profit before depreciation	(1,182,111)	(1,464,131)	21,430	(2,624,812)
Depreciation	<u>(151,230)</u>	-	-	<u>(151,230)</u>
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				<u>(2,132,695)</u>
Loss before taxation				<u>(7,322,368)</u>

	2019			
	Manufacture and sale of motorbikes US\$	Manufacture 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	85,934,693	13,532,031	32,594	99,499,318
Inter-segment revenue	-	<u>29,173,540</u>	<u>38,735</u>	<u>29,212,275</u>
Reportable segment revenue	<u>85,934,693</u>	<u>42,705,571</u>	<u>71,329</u>	<u>128,711,593</u>
Segment loss before depreciation	(7,579,265)	(1,320,592)	(44,462)	(8,944,319)
Depreciation	<u>(160,980)</u>	<u>(26,083)</u>	<u>(38)</u>	<u>(187,101)</u>
Reportable segment loss ("adjusted EBIT")	(7,740,245)	(1,346,675)	(44,500)	(9,131,420)
Share of profit of an associate				61,787
Net finance income				1,645,166
Impairment loss on other property, plant and equipment				(5,913,295)
Impairment loss on prepayments for other property, plant and equipment				(1,379,586)
Impairment loss on right-of-use assets				(995,047)
Unallocated corporate expenses				<u>(1,857,974)</u>
Loss before taxation				<u>(17,570,369)</u>

(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	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Vietnam (place of domicile)	37,743,062	50,791,969	7,202,425	7,413,795
Malaysia	23,839,475	26,379,811	-	-
The Philippines	6,581,861	9,658,906	-	-
Thailand	10,432,607	7,155,836	-	-
Greece	2,102,777	2,531,915	-	-
Taiwan	706,351	594,246	1,302	25
Other countries	<u>2,701,644</u>	<u>2,386,635</u>	<u>-</u>	<u>-</u>
	<u>84,107,777</u>	<u>99,499,318</u>	<u>7,203,727</u>	<u>7,413,820</u>

3. Loss before taxation

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

(a) Net finance income

	2020 <i>US\$</i>	2019 <i>US\$</i>
Interest income from banks	<u>(2,135,977)</u>	<u>(2,471,854)</u>
Finance income	<u>(2,135,977)</u>	<u>(2,471,854)</u>
Interest paid and payable to banks	912,811	727,242
Interest on lease liabilities	52,973	68,888
Net foreign exchange loss	<u>89,271</u>	<u>30,558</u>
Finance costs	<u>1,055,055</u>	<u>826,688</u>
	<u><u>(1,080,922)</u></u>	<u><u>(1,645,166)</u></u>

(b) Staff costs

	2020 <i>US\$</i>	2019 <i>US\$</i>
Contributions to defined contribution retirement plans	1,252,871	1,372,500
Severance pay allowance	171,830	521,306
Salaries, wages and other benefits	<u>10,575,907</u>	<u>13,577,042</u>
	<u><u>12,000,608</u></u>	<u><u>15,470,848</u></u>

(c) Other items

	2020	2019
	<i>US\$</i>	<i>US\$</i>
Depreciation of property, plant and equipment		
- other property, plant and equipment	151,349	171,015
- right-of-use assets	-	16,086
- investment properties	<u>28,793</u>	<u>32,629</u>
	180,142	219,730
Write-down of inventories	1,085,672	427,559
Impairment loss on other property, plant and equipment (note 6)	3,379,872	5,913,295
Impairment loss on prepayments for other property, plant and equipment (note 6)	86,654	1,379,586
Impairment loss on right-of-use assets (note 6)	65,183	995,047
Auditors' remuneration		
- Audit services	392,571	411,656
- Other services	5,639	2,934
Research and development expenses (note (i))	3,118,176	3,630,590
Cost of inventories (note (ii))	<u>75,998,522</u>	<u>94,127,826</u>

Notes:

- (i) Research and development expenses include amounts relating to technology transfer fee, staff costs, depreciation expenses and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in note 3(b) for each of these types of expenses. No development expenditure was capitalised during the years ended 31 December 2020 and 2019.
- (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 3(b) for each of these types of expenses.

4. Income tax in the consolidated statement of profit or loss and other comprehensive income

	2020 US\$	2019 US\$
Current tax		
Provision for the year	16,890	65,654
Under/(over)-provision in respect of prior years	<u>22</u>	<u>(259)</u>
	16,912	65,395
Deferred tax		
Origination and reversal of temporary differences	<u>(53,432)</u>	<u>(41,515)</u>
Actual tax (credit)/expense	<u>(36,520)</u>	<u>23,880</u>

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 2020 and 2019.

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.

In accordance with the Corporate Income Tax Law of Taiwan, as amended in 2020, the applicable tax rate for Chin Zong Trading Co., Ltd. (“Chin Zong”) is 20% (2019: 20%) if the taxable profit is above New Taiwan Dollar (“NT\$”) 120,000. Income tax is exempted if the taxable profit is below NT\$120,000.

5. 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\$7,285,844 (2019: US\$17,594,257) and the weighted average of 907,680,000 (2019: 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 2020 (2019: same) as there were no potential dilutive ordinary shares in existence during the years ended 31 December 2020 and 2019.

6. Other property, plant and equipment

Impairment losses

The manufacturing and sales of motorbikes segment, manufacturing and sales 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\$3,531,709 (2019: US\$8,287,928) 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\$3,035,417 (2019: US\$3,199,305).

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. In 2020, 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 5% (2019: -2% to 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 15% (2019: 14%).

7. Inventories

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

	2020	2019
	<i>US\$</i>	<i>US\$</i>
Motorbikes manufacturing		
- Raw materials	17,092,238	16,341,633
- Tools and supplies	397,117	623,353
- Work in progress	366,213	387,409
- Finished goods	4,698,860	4,226,161
- Merchandise inventories (note (i))	<u>2,622,451</u>	<u>2,963,240</u>
	25,176,879	24,541,796
Provision for write-down of inventories	<u>(2,733,199)</u>	<u>(4,205,281)</u>
	22,443,680	20,336,515
Properties (note (ii))	<u>2,972,216</u>	<u>2,984,429</u>
	<u><u>25,415,896</u></u>	<u><u>23,320,944</u></u>

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.

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

	2020	2019
	<i>US\$</i>	<i>US\$</i>
Carrying amount of inventories sold	74,912,850	93,700,267
Write-down of inventories	<u>1,085,672</u>	<u>427,559</u>
	<u><u>75,998,522</u></u>	<u><u>94,127,826</u></u>

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

	2020	2019
	<i>US\$</i>	<i>US\$</i>
At 1 January	4,205,281	5,066,723
Additions	1,085,672	427,559
Utilisation	(2,532,468)	(1,291,986)
Exchange adjustments	<u>(25,286)</u>	<u>2,985</u>
At 31 December	<u><u>2,733,199</u></u>	<u><u>4,205,281</u></u>

8. Trade receivables, other receivables and prepayments

	2020	2019
	<i>US\$</i>	<i>US\$</i>
Trade receivables	12,360,754	12,702,561
Non-trade receivables	12,106,333	12,625,485
Prepayments	147,313	362,370
Amounts due from related parties		
-Trade	103,261	190,978
-Non-trade	<u>79,783</u>	<u>1,649</u>
	<u><u>24,797,444</u></u>	<u><u>25,883,043</u></u>

Trade receivables

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:

	2020	2019
	<i>US\$</i>	<i>US\$</i>
Within 3 months	12,252,029	11,708,352
More than 3 months but within 1 year	<u>211,986</u>	<u>1,185,187</u>
	<u><u>12,464,015</u></u>	<u><u>12,893,539</u></u>

9. Trade and other payables

	2020	2019
	<i>US\$</i>	<i>US\$</i>
Trade payables	6,005,364	6,942,145
Other payables and accrued operating expenses	6,518,201	5,579,143
Contract liabilities – billings in advance of performance	596,014	1,180,324
Amounts due to related parties		
-Trade	2,640,028	542,456
-Non-trade	<u>1,593,336</u>	<u>471,956</u>
	<u><u>17,352,943</u></u>	<u><u>14,716,024</u></u>

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

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:

	2020	2019
	<i>US\$</i>	<i>US\$</i>
Within 3 months	8,465,316	7,422,406
More than 3 months but within 1 year	169,035	62,195
More than 1 year but within 5 years	<u>11,041</u>	<u>-</u>
	<u><u>8,645,392</u></u>	<u><u>7,484,601</u></u>

10. Commitments

Capital commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	2020	2019
	<i>US\$</i>	<i>US\$</i>
Contracted for	<u><u>1,249,008</u></u>	<u><u>5,029,080</u></u>

11. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and types. It also produces motorbike parts and engines for internal use and export to overseas customers as well as selling and providing services associated with moulds to make die-cast and forged metal parts.

Operation Environment

The outbreak of the novel coronavirus (the “**COVID-19**”) since early 2020 has created uncertainty to global economic and imposed negative impacts on the motorbike industry, with the supply chains disrupted while business and trading activities came to a halt due to the pandemic and preventive quarantine arrangements, resulting in a decline in consumer confidence and an extremely volatile market. The operating performance of the Group was also restrained during the year.

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 2020 was 2,712,615 motorbikes, representing a decrease of 16.6% compared to 2019.

Vietnam's gross domestic product (GDP) growth in 2020 was 2.91%, the smallest growth in a decade. This slowdown in economic growth, together with varying degrees of segregation, congregation restrictions and tightening of social distance measures imposed by the Vietnamese government, led to a slowdown of consumer activities and reduced customer orders. Major export markets such as Malaysia, the Philippines and Thailand have also been affected by the COVID-19 pandemic and have experienced significant economic contraction. Most countries have been imposing strict and prolonged social distance measures since March 2020, resulting in lower income and reduced consumer sentiment, which in turn has affected the Group's production and sales activities.

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 2020 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 how they interacted 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 sale volume of the Group declined across the board in its main sale regions. The Group sold an aggregate of approximately 46,000 units (which was comprised of approximately 5,500 units of scooters, 39,800 units of cubs and 700 units of electric

motorbikes) in Vietnam for the year ended 31 December 2020, representing a decrease of 27.5% from the previous year. Such decrease was mainly attributed to the slowdown or suspension of sales as a result of the outbreak and spread of the COVID-19 pandemic since early 2020.

The Group sold an aggregate of approximately 40,700 units of scooters and cubs by exporting to ASEAN countries, representing a decrease of 24.6% from the previous year. The drop was mainly because of the declining market demand in ASEAN market due to the COVID-19 pandemic. Despite facing challenges in obtaining orders in Vietnam and ASEAN countries due to the negative impacts of the COVID-19 pandemic, in terms of export markets, the Group continues to focus on Malaysia and maintains a close cooperation with its long-term partners. To expand its channels, the Group also works with its partners in Thailand to broaden its sales network.

During 2020, the Group has strived to continue to follow its business strategy of “ensuring profit is the priority”. In the ASEAN countries, the Group’s advanced-level models of VF-series motorbikes have been well-received by overseas consumers. The Group also entered into strategic alliance to provide original equipment manufacturing (“OEM”) services for Lambretta. The motorbikes under this brand are characterised by their Italian retro looks and have been winning the hearts of consumers in Thailand, Indonesia and other high-end markets. Moreover, in November 2020, the launch of the DRONE model, a high quality scooter developed jointly with a leading local motorbike manufacturer in Thailand, GP Motor (Thailand) Co., LTD, (“GPX”), was well received by the mid-to-high-end market in Thailand. In Vietnam, in response to its growing demand for modern urbanisation and the increasing number of young people in the country switching to travelling by scooters, the Group launched two new models of scooters, ATTILA 50 and PASSING 50, which have been well received by the market with sales making good progress.

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 2020, the Group’s extensive distribution network comprised over 199 SYM authorised stores owned by dealers, covering every province in Vietnam.

FINANCIAL REVIEW

The Group’s net loss for the year ended 31 December 2020 decreased by US\$10.3 million, from a net loss of US\$17.6 million for the year ended 31 December 2019 to a net loss of US\$7.3 million for the year ended 31 December 2020. Further analysis on the operating results of the Group is set out below.

REVENUE

Revenue of the Group for the year ended 31 December 2020 decreased to US\$84.1 million from US\$99.5 million for the year ended 31 December 2019, representing a decrease of US\$15.4 million or 15.5%. Such decrease was mainly attributed to the drop in sales volume in Vietnam and ASEAN countries as a result of the negative impact brought about by the outbreak of the COVID-19 pandemic. Under the strategy of “ensuring profit is the priority”, the Group is committed to strengthening the value of its products and enhancing its sales mix, improving the average selling price of its products to expand its revenue margin and mitigate the impact of declining sales volume.

In terms of geographical contribution, approximately 44.9% of total revenue was generated from the domestic market in Vietnam for the year ended 31 December 2020 as compared with approximately 51.0% for the year ended 31 December 2019. Domestic sales in Vietnam decreased by 25.8% from US\$50.8 million for the year ended 31 December 2019 to US\$37.7 million for the year ended 31 December 2020. Export sales decreased by 4.7% from US\$48.7 million for the year ended 31 December 2019 to US\$46.4 million for the year ended 31 December 2020.

COST OF SALES

The Group's cost of sales decreased by 19.2%, from US\$94.1 million for the year ended 31 December 2019 to US\$76.0 million for the year ended 31 December 2020. The decrease was mainly due to the decrease in sales. As a percentage of total revenue, the Group's cost of sales decreased from 94.6% for the year ended 31 December 2019 to 90.4% for the year ended 31 December 2020. Such decrease was primarily due to cost reduction arising from expanding procurement sources for materials and components at a lower cost, and efforts to enhance cost effectiveness.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2020, the Group recorded a gross profit and gross profit margin of approximately US\$8.1 million and 9.6% respectively (the year ended 31 December 2019: gross profit and gross profit margin of approximately US\$5.4 million and 5.4% respectively). For domestic sales, sales of less profitable models declined mainly due to a highly competitive business environment in Vietnam and ASEAN countries as well as the impact of the COVID-19 pandemic, resulting in a decrease in loss; for export sales, we strengthened the value of our products by launching high-end models and partnering with GPX and Lambretta to launch various products, which slightly improved the source of profit, thus also leading to a rise in gross profit and gross profit margin.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 20.3%, from US\$5.9 million for the year ended 31 December 2019 to US\$4.7 million for the year ended 31 December 2020. Such decrease was mainly attributed to rectification of existing distribution network and a decrease of sales incentives and supporting fees payable to distributors.

TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 15.4% from US\$1.3 million for the year ended 31 December 2019 to US\$1.1 million for the year ended 31 December 2020, 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 17.7% from US\$9.6 million for the year ended 31 December 2019 to US\$7.9 million for the year ended 31 December 2020, which account for 9.4% of the Group's total revenue for the year ended 31 December 2020. The Group took proactive action in 2020 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 significantly decreased by 55.5%, from a loss of US\$11.0 million for the year ended 31 December 2019 to a loss of US\$4.9 million for the year ended 31 December 2020.

IMPAIRMENT LOSS ON OTHER PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS 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 2020, 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**"), right-of-use assets and prepayments for other property, plant and equipment may be impaired. Accordingly, the Group carry out an impairment testing on the Relevant PPE, right-of-use assets and prepayments for other property, plant and equipment and noted an impairment loss of approximately US\$3.5 million on the other property, plant and equipment, right-of-use assets and prepayments for other property, plant and equipment were required as at 31 December 2020.

NET FINANCE INCOME

The Group's net finance income decreased by 31.3%, from US\$1.6 million for the year ended 31 December 2019 to US\$1.1 million for the year ended 31 December 2020. Such decrease was mainly attributable to a decrease in bank interest income by US\$0.3 million, increase in bank interest expense by US\$0.2 million, decrease in lease liabilities interest expense by US\$0.02 million and increase in foreign exchange losses of US\$0.06 million arising from fluctuation of the Vietnamese Dong against the US dollar for the year.

LOSS FOR THE YEAR AND MARGIN

As a result of the factors discussed above, the Group's net loss for the year ended 31 December 2020 amounted to US\$7.3 million, representing a significant decrease of 58.5% as compared to a loss of US\$17.6 million for the year ended 31 December 2019. The Group's net loss margin decreased from 17.7% for the year ended 31 December 2019 to 8.7% for the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's net current assets amounted to US\$50.3 million (31 December 2019: US\$57.5 million) which consisted of current assets of US\$99.3 million (31 December 2019: US\$101.2 million) and current liabilities of US\$49.0 million (31 December 2019: US\$43.7 million).

As at 31 December 2020, the Group's interest-bearing loans repayable within one year was US\$30.5 million (31 December 2019: US\$27.9 million). As at 31 December 2020, the Group had no interest-bearing loans repayable beyond one year (31 December 2019: Nil). As at 31 December 2020, the gearing ratio was 53% (31 December 2019: 43%) calculated by dividing total bank loans by total shareholders' equity.

As at 31 December 2020, the Group's cash and bank balances (including bank deposits), amounted to US\$49.1 million, which mainly included US\$37.9 million denominated in Vietnamese Dong and US\$11.1 million denominated in US dollar (31 December 2019: US\$52.0 million, which mainly included US\$31.7 million denominated in Vietnamese Dong and US\$20.3 million denominated in US dollar).

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.

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 2020, the Group had 1,293 employees (2019: 1,467). The total amount of salaries and related costs for the year ended 31 December 2020 amounted to approximately US\$12.0 million (2019: US\$15.5 million).

PROSPECTS

Looking ahead to 2021, 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 slow recovery in 2021, 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 as uncertainties and risks in the supply of production parts, as a result of the tight global container shipping capacity under the impact of the pandemic. Uncertainties and risks are expected to remain in the supply chain and short-term procurement of production parts, as well as in the ASEAN market's sales 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 2020, 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 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.

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. As at 31 December 2018, the net proceeds were utilised in the following manner: The proceeds from the initial public offering of the Company in December 2007, net of related listing expenses, amounted to 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 2020:

	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 2020 Approximately in US\$' million	Balance unutilised as at 31 December 2020 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	10.8	4.2
Land development	<u>19.3</u>	<u>4.2</u>	<u>15.1</u>
Total	<u>76.7</u>	<u>57.4</u>	<u>19.3</u>

The remaining 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**”.

MATTERS IN RELATION TO CAPITAL INJECTION TO SUBSIDIARIES

In March 2020, Vietnam Manufacturing and Export Processing Company Limited (“**VMEP**”) made a contribution to the capital of Dinh Duong Joint Stock Company (“**Dinh Duong**”, a company incorporated in Vietnam) in the amount of VND69,000,000,000. Upon the capital contribution, the registered capital of Dinh Duong increased to VND168,350,000,000 from VND99,350,000,000 and VMEP holds a total of approximately 99.94% of equity interest in Dinh Duong. The industrial and business registration of changes in relation to the above capital contribution has completed on 31 March 2020.

In December 2020, the Company completed injecting US\$38,500,000 into its wholly-owned subsidiary, VMEP, by way of cash payment and conversion of debts to equity. In January 2021, the Company injected US\$7,000,000 into VMEP by cash payment. Such capital injections are beneficial to VMEP in improving its capital structure, thereby enhancing its market competitiveness and sustainable development. At present, the abovementioned capital injections have been fully settled.

Save as disclosed above, for the year ended 31 December 2020, the Group had no capital injection, acquisition or disposal of subsidiaries and associated companies.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2020, 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 on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for the following deviation:

Paragraph A.5 of the Code 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 has not set up a nomination committee as all major decisions regarding the Board composition and its members are made in consultation with the Board in which all directors of the Company will participate in the process and perform the duties of a nomination committee as contemplated in the Code. The Board considers that it is not necessary to establish a nomination committee given that the current arrangements meet the objective of the Code.

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 of the Company. Having made specific enquiry of all the directors of the Company, the Company confirms that the directors of the Company have complied with the required standard set out in the Model Code for the year ended 31 December 2020.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2020 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.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

ANNUAL GENERAL MEETING AND BOOK CLOSURE FOR ENTITLEMENT OF ATTENDING THE MEETING

The forthcoming annual general meeting of the Company will be held on 25 June 2021. Notice of the annual general meeting will be published and issued to the shareholders of the Company in due course. For determining the entitlement to attend and vote in the annual general meeting, the register of members of the Company will be closed from 22 June 2021 to 25 June 2021 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the attendance of the annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 21 June 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2020, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.com.hk and on the Company's website at www.vmeph.com. The annual report 2020 of the Company will also be published on the aforesaid websites in due course.

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 2021

As at the date of this announcement, the Board comprised four executive directors, namely Mr. Liu Wu Hsiung, Mr. Lin Chih Ming, Mr. Lin Chun Yu and Mr. Chiang Chin Yung, two non-executive directors, namely Mr. Chiu Ying Feng and Ms. Wu Li Chu and four independent non-executive directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong, Ms. Wu Kwei Mei and Mr. Cheung On Kit Andrew.