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 2019

Financial Highlights :

（expressed in US$'million）

	2019	**2018**	**Change Amount**
• Total revenue	99.5	91.5	8.0
• Gross profit／(loss)	5.4	(2.3)	7.7
• Net loss after tax	(17.6)	(41.8)	24.2
• Loss per share (US$)	(0.02)	(0.05)	0.03

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 2019 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 2019.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

(Expressed in United States dollars)

	Note	2019 *US$*	2018 (Note) *US$*
Revenue	2	99,499,318	91,546,757
Cost of sales		(94,127,826)	(93,877,160)
Gross profit／(loss)		5,371,492	(2,330,403)
Other income		368,428	281,646
Distribution costs		(5,886,848)	(6,042,394)
Technology transfer fees		(1,276,535)	(1,513,924)
Administrative and other operating expenses		(9,565,931)	(13,710,438)
Results from operating activities		(10,989,394)	(23,315,513)
Finance income		2,471,854	3,852,117
Finance costs		(826,688)	(760,696)
Net finance income	3(a)	1,645,166	3,091,421
Impairment loss on other property, plant and equipment	3(c)	(5,913,295)	(11,144,183)
Impairment loss on prepayments for other property, plant and equipment	3(c)	(1,379,586)	-
Impairment loss on lease prepayments	3(c)	-	(9,089,794)
Impairment loss on right-of-use assets	3(c)	(995,047)	-
Share of profit／(loss) of an associate		61,787	(50,685)
		(8,226,141)	(20,284,662)
Loss before taxation	3	(17,570,369)	(40,508,754)
Income tax expense	4	(23,880)	(1,333,919)
Loss for the year		(17,594,249)	(41,842,673)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019 (continued)

(Expressed in United States dollars)

	Note	2019 *US$*	2018 (Note) *US$*
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		35,312	(1,832,092)
Total comprehensive income for the year		(17,558,937)	(43,674,765)
Loss for the year attributable to:			
Equity shareholders of the Company		(17,594,257)	(41,842,673)
Non-controlling interests		8	-
		(17,594,249)	(41,842,673)
Total comprehensive income attributable to:			
Equity shareholders of the Company		(17,558,945)	(43,674,765)
Non-controlling interests		8	-
		(17,558,937)	(43,674,765)
Loss per share			
- Basic and diluted	5	(0.02)	(0.05)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

Consolidated Statement of Financial Position at 31 December 2019

(Expressed in United States dollars)

	Note	2019 US$	2018 (Note) US$
Non-current assets			
Investment properties		4,214,515	-
Other property, plant and equipment	6	3,199,305	3,324,760
Interest in an associate		544,900	482,437
Other non-current prepayments		-	628,727
Deferred tax assets		29,864	-
		7,988,584	4,435,924
Current assets			
Inventories	7	23,320,944	24,571,587
Trade receivables, other receivables and prepayments	8	25,883,043	22,446,972
Cash and bank balances		52,028,047	63,732,793
Current tax recoverable		-	23,938
		101,232,034	110,775,290
Current liabilities			
Trade and other payables	9	14,716,024	13,392,333
Bank loans		27,943,369	18,925,591
Lease liabilities		18,194	-
Current tax payable		40,102	22,763
Provisions		1,012,190	737,757
		43,729,879	33,078,444
Net current assets		57,502,155	77,696,846
Total assets less current liabilities		65,490,739	82,132,770
Non-current liabilities			
Lease liabilities		925,636	-
Deferred tax liabilities		-	13,037
		925,636	13,037
NET ASSETS		64,565,103	82,119,733

Consolidated Statement of Financial Position at 31 December 2019 (continued)

(Expressed in United States dollars)

	2019 *US$*	2018 (Note) *US$*
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	63,397,916	80,956,861
Total equity attributable to equity shareholders of the Company	64,560,788	82,119,733
Non-controlling interests	4,315	-
TOTAL EQUITY	64,565,103	82,119,733

Note: The Group has initially applied IFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

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 2019, 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 the Group's financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 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 new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, 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.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempted. As far as the Group is concerned, these newly capitalised leases are primarily in relation to "other property, plant and equipment".

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6.8% per annum.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(ii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 10(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	US$
Operating lease commitments at 31 December 2018	1,870,609
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	811,092
	2,681,701
Less: total future interest expenses	(1,669,112)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	1,012,589

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities. Prepaid land lease rental and related costs were classified as “lease prepayments” as at 31 December 2018. Upon the adoption of IFRS 16, the “lease prepayments” with net book value of US$Nil (cost of US$11,153,737 less accumulated depreciation and impairment losses of US$11,153,737) were reclassified to right-of-use assets.

The Group presents right-of-use assets in “other property, plant and equipment” and presents “lease liabilities” separately in the statement of financial position. As at 1 January 2019, upon the adoption of IFRS 16, the “other property, plant and equipment”, current portion of “lease liabilities” and non-current portion of “lease liabilities” increased by US$1,012,589, US$73,375 and US$939,214 respectively.

There is no impact on the opening balance of the Group’s equity as at 1 January 2019 on the initial application of IFRS 16.

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:

	2019	2018
	US$	*US$*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Manufacture and sale of motorbikes	85,934,693	78,046,137
Manufacture and sale of spare parts and engines	13,532,031	13,414,316
Moulds and repair services	32,594	86,304
	99,499,318	91,546,757

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 (2018: two customers) with whom transactions have exceeded 10% of the Group's revenue. During the year ended 31 December 2019, revenue from sales of motorbikes to the customers was as follows:

	2019
	US$
Customer A	24,298,005

	2018
	US$
Customer A	27,925,538
Customer B	11,657,120
	39,582,658

(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 majority of the Group's moulds are specially made for internal use, producing parts for the Group's products. The Group also manufactures a small number of moulds for external sale 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／(loss) of an associate, impairment losses on non-current assets and other head office or corporate administration costs.

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 2019 and 2018 is set out below:

	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	-	29,173,540	38,735	29,212,275
Reportable segment revenue	85,934,693	42,705,517	71,329	128,711,593
Segment loss before depreciation	(7,579,265)	(1,320,592)	(44,462)	(8,944,319)
Depreciation	(160,980)	(26,083)	(38)	(187,101)
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				(1,857,974)
Loss before taxation				(17,570,369)

	2018			
	Manufacture and sale of motorbikes *(Note)* ***US$***	**Manufacture and sale of spare parts and engines** *(Note)* ***US$***	**Moulds and repair services** *(Note)* ***US$***	**Total** *(Note)* ***US$***
Revenue from external customers recognised at a point in time	78,046,137	13,414,316	86,304	91,546,757
Inter-segment revenue	-	27,529,686	695,787	28,225,473
Reportable segment revenue	78,046,137	40,944,002	782,091	119,772,230
Segment profit／(loss) before depreciation and amortisation	(18,897,974)	2,769,150	194,245	(15,934,579)
Depreciation and amortisation	(3,297,560)	(2,181,687)	(40,346)	(5,519,593)
Reportable segment profit／(loss) ("adjusted EBIT")	(22,195,534)	587,463	153,899	(21,454,172)
Share of loss of an associate				(50,685)
Net finance income				3,091,421
Impairment loss on other property, plant and equipment				(11,144,183)
Impairment loss on lease prepayments				(9,089,794)
Unallocated corporate expenses				(1,861,341)
Loss before taxation				(40,508,754)

Note: The Group has initially applied IFRS 16 using modified retrospective approach. Under this approach, the comparable information is not restated. See note 1(c).

(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**	
	2019 ***US$***	**2018** ***US$***	**2019** ***US$***	**2018** ***US$***
Vietnam (place of domicile)	50,791,969	50,200,637	7,413,795	3,324,691
Malaysia	26,379,811	27,925,538	-	-
The Philippines	9,658,906	11,657,120	-	-
Thailand	7,155,836	940	-	-
Greece	2,531,915	-	-	-
Taiwan	594,246	649,617	25	69
Other countries	2,386,635	1,112,905	-	-
	99,499,318	91,546,757	7,413,820	3,324,760

3. Loss before taxation

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

(a) Net finance income

	2019 *US$*	2018 *US$*
Interest income from banks	(2,471,854)	(3,852,117)
Finance income	(2,471,854)	(3,852,117)
Interest paid and payable to banks	727,242	684,050
Interest on lease liabilities	68,888	-
Net foreign exchange loss	30,558	76,646
Finance costs	826,688	760,696
	(1,645,166)	(3,091,421)

(b) Staff costs

	2019 *US$*	2018 *US$*
Contributions to defined contribution retirement plans	1,372,500	1,337,371
Severance pay allowance	521,306	20,009
Salaries, wages and other benefits	13,577,042	11,418,444
	15,470,848	12,775,824

(c) Other items

	2019 *US$*	2018 *US$*
Amortisation of lease prepayments and intangible assets	-	273,718
Depreciation of property, plant and equipment		
- other property, plant and equipment	171,015	5,245,875
- right-of-use assets (note (i))	16,086	-
- investment properties	32,629	-
	219,730	5,245,875
Write-down of inventories	427,559	2,151,948
Impairment loss on other property, plant and equipment (note 6)	5,913,295	11,144,183
Impairment loss on lease prepayments	-	9,089,794
Impairment loss on prepayments for other property, plant and equipment (note 6)	1,379,586	-
Impairment loss on right-of-use assets (note 6)	995,047	-
Total minimum lease payments for leases previously classified as operating leases under IAS 17 (note (i))	1,164	142,441
Auditors' remuneration	414,590	409,670
- Audit services	411,656	377,019
- Other services	2,934	32,651
Research and development expenses (note (ii))	3,630,590	7,457,010
Cost of inventories (note (iii))	94,127,826	93,877,160

Notes:

(i) The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as right-of-use assets. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c). Total minimum lease payments for leases for the year ended 31 December 2019 represented expense relating to leases of low-value assets.

(ii) Research and development expenses include amounts relating to technology transfer fee, staff costs, depreciation and amortisation 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 2019 and 2018.

(iii) Cost of inventories includes amounts relating to staff costs and depreciation and amortisation 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

	2019	2018
	US$	*US$*
Current tax		
Provision for the year	65,654	29,703
Over-provision in respect of prior years	(259)	-
	65,395	29,703
Deferred tax		
Origination and reversal of temporary differences	(41,515)	1,304,216
Actual tax expense	23,880	1,333,919

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 2019 and 2018.

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, the Investment Law of 2006, and the Law on Corporate Income Tax of 2003 in Vietnam, the applicable tax rate for Duc Phat Molds Inc. is 20% from 2016 onwards.

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 2018, the applicable tax rate for Chin Zong Trading Co., Ltd. ("**Chin Zong**") is 20% (2018: 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$17,594,257 (2018: US$41,842,673) and the weighted average of 907,680,000 (2018: 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 2019 (2018: same) as there were no potential dilutive ordinary shares in existence during the years ended 31 December 2019 and 2018.

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$8,287,928 (2018: US$20,233,977) 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$3,199,305 (2018: US$3,324,760).

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 2019, 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 discount or premium on quality of the buildings (-2% to 5%). For assets which management considers are likely to recoverable 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 covering a five-year period. Cash flows are discounted using pre-tax discount rate of 14%.

In 2018, the estimate of the recoverable amount of the non-current assets has been determined based on a value in use calculation. These calculations use cash flow forecast based on financial budgets approved by management covering a five-year period. Cash flows are discounted using pre-tax discount rate of 11%.

7. Inventories

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

	2019	2018
	US$	*US$*
Motorbikes manufacturing		
- Raw materials	16,341,633	21,621,538
- Tools and supplies	623,353	523,171
- Work in progress	387,409	628,865
- Finished goods	4,226,161	3,698,259
- Merchandise inventories (note (i))	2,963,240	3,166,477
	24,541,796	29,638,310
Provision for write-down of inventories	(4,205,281)	(5,066,723)
	20,336,515	24,571,587
Properties (note (ii))	2,984,429	-
	23,320,944	24,571,587

(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. During the year, 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:

	2019	2018
	US$	*US$*
Carrying amount of inventories sold	93,700,267	91,725,212
Write-down of inventories	427,559	2,151,948
	94,127,826	93,877,160

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

	2019	2018
	US$	*US$*
At 1 January	5,066,723	3,978,350
Additions	427,559	2,151,948
Acquisition of a subsidiary	-	373,159
Utilisation	(1,291,986)	(1,353,496)
Exchange adjustments	2,985	(83,238)
At 31 December	4,205,281	5,066,723

8. Trade receivables, other receivables and prepayments

	2019 *US$*	2018 *US$*
Trade receivables	12,702,561	11,927,395
Non-trade receivables	12,625,485	9,742,519
Prepayments	362,370	717,809
Amounts due from related parties		
-Trade	190,978	55,473
-Non-trade	1,649	3,776
	25,883,043	22,446,972

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:

	2019 *US$*	2018 *US$*
Within 3 months	11,708,352	11,550,465
More than 3 months but within 1 year	1,185,187	431,620
More than 1 year but within 5 years	-	783
	12,893,539	11,982,868

9. Trade and other payables

	2019 *US$*	2018 *US$*
Trade payables	6,942,145	5,842,998
Other payables and accrued operating expenses	5,579,143	5,058,688
Contract liabilities – billings in advance of performance	1,180,324	109,122
Amounts due to related parties		
-Trade	542,456	1,008,432
-Non-trade	471,956	1,373,093
	14,716,024	13,392,333

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:

	2019 *US$*	**2018** *US$*
Within 3 months	7,422,406	6,763,928
More than 3 months but within 1 year	62,195	87,450
More than 1 year but within 5 years	-	52
	7,484,601	6,851,430

10. Commitments

(a) Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019 *US$*	**2018** *US$*
Contracted for	5,029,080	-
Authorised but not contracted for	-	-
	5,029,080	-

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 *US$*
Within 1 year	147,137
After 1 year but within 5 years	298,167
After 5 years	1,425,305
	1,870,609

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to five years, except for a lease of land and factories which is for fifty years. None of the leases includes contingent rentals.

11. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

12. Comparative figures

The Group has initially IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c). In addition, certain comparative figures were reclassified to conform to current year's presentation.

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 oversea customers as well as selling and providing services associated with moulds to make die-cast and forged metal parts.

Operation Environment

The global economy faced increased uncertainties due to dynamic factors such as the ongoing US-China trade friction and the geopolitical tension. Hit by the economic headwinds both domestically and internationally, countries in Southeast Asia experienced a lower economic growth rate in 2019. In Vietnam, the gross domestic product (GDP) grew slower to 7.02% in 2019 compared to that of 7.08% in 2018. Nevertheless, the Vietnamese government put greater effort into its full-scale opening up and reform and promoting high-quality economic development and therefore, the nation was able to maintain economic stability in general.

Vietnam is one of the biggest suppliers of motorbikes in the world. Over the past few years, many foreign direct investment ("**FDI**") manufacturers have continued to expand their investment in launching new models and enhancing marketing and promotion activities for a larger market share. As at the end of 2019, there were a total of more than 51 million motorbikes manufactured in Vietnam. According to statistics from the Vietnam Association of Motorcycle Manufacturers, in 2019, the top five foreign-invested manufacturers in Vietnam sold a total of 3.25 million motorbikes, representing a decrease of 3.87% from 2018. Such decrease indicates that the motorbike market in Vietnam has already been on the path of saturation. In addition, with the Vietnamese government paying attention to air pollution control gradually and limiting vehicles to ease overloaded transport infrastructure and the continuous economic development, people in Vietnam enjoyed an improving standard of living, driving them to buy vehicles instead of motorbikes as a means of transport, the business environment of motorbike industry in Vietnam continues to be challenging.

The Group ranked third in the Vietnam's motorbike market, after the Japanese brands Honda and Yamaha, reached a sale of approximately 60,400 units (comprising scooter and cub) in 2019, accounted for 1.87% of the total market share.

BUSINESS REVIEW

The year under review in 2019 was a period of multiple and complex challenges. On the sales front, slower growth in many economies has imposed a hit on the sale environment. Operationally, the increasing sale requirement for smaller order sizes and quick turnaround time has resulted in frequent assembly line rearrangements, which have undermined the economies of scale. In regard to our manufacturing plants and facilities, as the Vietnamese government accelerated the pace of urbanisation and societal transformation, in compliance with the requirements of the relevant authority, the Group has relocated the manufacturing facilities in Bien Hoa City of Dong Nai Province to Nhon Trach Industrial Zone II in the province, which have already put into operation in December 2019. During the relocation, the Group suffered from certain efficiency loss and also incurred additional costs for staff training.The Group's resilience was tested against this background.

The Group saw both growth and decline in its main sale regions. The Group sold an aggregate of approximately 63,400 units (which comprised of approximately 5,800 units of scooters, 54,600 units of cubs and 3,000 units of electric motorbikes) in Vietnam for the year ended 31 December 2019, representing an increase of 3.6% from the previous year. Mainly attributable to the aggressive suppression by the Vietnamese government of the illegal use of cub motorbikes with engine capacity of 50 cubic centimeters ("**cc**") during 2019, the gradual relaxation by senior high and vocational schools of the restriction on students riding gasoline-powered motorbikes, and the greater awareness of SYM brand with the Group's devotion of considerable resources in marketing activities targeting students. As a consequence, the Group's sales volume of the entry-level models of cub motorbikes grew modestly in 2019.

The Group sold an aggregate of approximately 54,000 units of scooters and cubs and exported to ASEAN countries, representing a decrease of 18.3% from the previous year. The decrease was attributable to Malaysia and the Philippines which are the major markets of the Group in terms of export sales, the Group continued to suffer from the import of low-priced motorbikes from China. Sales volume in those markets dropped as a result. Confronted with such serious issues in sales, the Group has strived to followed its business strategy of "ensuring profit is the priority", the Group did not participate in the pricecutting market competition. Instead, the Group progressively increased the selling price of certain products and reduced the supply of low-margin models. Therefore, sales volume in the ASEAN countries declined in different degrees.

To cope with the rapidly evolving and competitive environment, the Group directed focus on developing market and accelerating product research and development. In 2019, the Group launched a number of new or modified motorbike models, among which, scooter New Attila125 is a model focusing on the metropolitan female market. Three new or modified models of cub motorbikes with engine capacity of 50 cc, namely Elegant 50, Angela 50 and Galaxy 50, were rolled out to the market. All of them are available in different colours, giving more choices to consumers and were well received by our young student customers. For engine capacity of 125cc, the Group launched Galaxy125 and Angel 125, which is a model designed to attract male customers with its appearance and practical functionality. 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 the brand are characterised by their Italian retro looks and have been deeply attractive to consumers in Thailand, Indonesia and other high-end markets.

The Group strived in building its product sales network, aiming to achieve customer loyalty by constant expansion across Vietnam and implementing flexible marketing strategies. As of 31 December 2019, the Group's extensive distribution network comprised over 202 SYM authorised stores owned by dealers, covering every province in Vietnam.

FINANCIAL REVIEW

The Group's net loss for the year ended 31 December 2019 decreased by US$24.2 million, from a net loss of US$41.8 million for the year ended 31 December 2018 to a net loss of US$17.6 million for the year ended 31 December 2019. Further analysis on the operating results of the Group is set out below.

REVENUE

Revenue of the Group for the year ended 31 December 2019 increased to US$99.5 million from US$91.5 million for the year ended 31 December 2018, representing an increase of US$8.0 million or 8.7%. Such increase was primarily attributable to the following factors: For domestic sales, revenue increased along with the growth in sales volume of the Group's cub motorbikes. But in general speaking, the business environment in Vietnam remained tough as the Japanese manufacturers aggressively seized the market share in Vietnam with their strong brand names and ample resources, and the market players entered into price-cutting competition. Both sales volume and revenue of the Group from sales of high-priced scooters dropped as a result. For export sales, although the continued import of low-priced motorbikes from China and the decline in sales volume in Malaysia and the Philippines (the major export markets of the Group) negatively affected the Group, with the implementation of the its strategy of "ensuring profit is the priority", an improvement in overall revenue was recorded. Moreover, the strategic alliance in respect of the provision of OEM services to Lambretta also drove the growth in revenue. The Group will strive to increase the average price of products by continuously enhancing product value and sales mix in order to broaden its revenue base.

In terms of geographical contribution, approximately 51% of total revenue was generated from the domestic market in Vietnam for the year ended 31 December 2019 as compared with approximately 55% for the year ended 31 December 2018. Domestic sales in Vietnam increased by 1.2% from US$50.2 million for the year ended 31 December 2018 to US$50.8 million for the year ended 31 December 2019. Export sales increased by 18% from US$41.3 million for the year ended 31 December 2018 to US$48.7 million for the year ended 31 December 2019.

COST OF SALES

The Group's cost of sales increased by 0.2%, from US$93.9 million for the year ended 31 December 2018 to US$94.1 million for the year ended 31 December 2019. As a percentage of total revenue, the Group's cost of sales decreased from 103% for the year ended 31 December 2018 to 95% for the year ended 31 December 2019. During the year ended 31 December 2019, the rising labour costs and the costs of raw materials and spare parts and components in Vietnam continued to exert pressure on the price of the Group's major products. Moreover, the overall cost of sales remained high due to the reason that the Group insisted on using imported precision spare parts and components for producing high-end products at a higher volume under the business principle of "quality first". The Group will continue to strive to decrease the production cost per unit and stabilise production costs by developing new sourcing channels and reselecting suppliers.

GROSS PROFIT/(LOSS) AND GROSS PROFIT/(LOSS) MARGIN

For the year ended 31 December 2019, the Group recorded a gross profit and gross profit margin of approximately US$5.4 million and 5.4% respectively (the year ended 31 December 2018: gross loss and gross loss margin of approximately US$2.3 million and 2.5% respectively). The overall gross profit showed improvement, mainly attributable to the decrease in depreciation expenses after the impairment provision for the property, plant and equipment and other assets in respect of the business of manufacturing and sale of motorbikes in 2018. But owing to the highly competitive business environment in Vietnamese and ASEAN markets together with the rising costs of materials and manpower 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 decreased by 1.7%, from US$6.0 million for the year ended 31 December 2018 to US$5.9 million for the year ended 31 December 2019. Such decrease was mainly attributed to rectification of existing distribution network, a decrease of sales incentives and supporting fees to distributors.

TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 13% from US$1.5 million for the year ended 31 December 2018 to US$1.3 million for the year ended 31 December 2019, resulting from a decrease in the sales of SYM-branded motorbikes in ASEAN countries.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative and other operating expenses decreased by 30% from US$13.7 million for the year ended 31 December 2018 to US$9.6 million for the year ended 31 December 2019, which account for 9.6% of the Group's total revenue for the year ended 31 December 2019. The Group took proactive action in 2019 to integrate the platforms for developing different models of motorbikes, resulting in a significant reduction in research and development expenses. With the endeavour of minimising other expenditures, the Group recorded a decrease in overall administrative and other operating expenses.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities improved by 53%, from a loss of US$23.3 million for the year ended 31 December 2018 to a loss of US$11.0 million for the year ended 31 December 2019.

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 2019, 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$8.3 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 2019.

NET FINANCE INCOME

The Group's net finance income decreased by 48%, from US$3.1 million for the year ended 31 December 2018 to US$1.6 million for the year ended 31 December 2019. Such decrease was mainly attributable to a decrease in bank interest income by US$1.4 million, increase in bank interest expense by US$0.04 million, increase in lease liabilities interest expense by US$0.07 million and decrease in foreign exchange losses of US$0.05 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 2019 amounted to US$17.6 million, a decrease of 58% as compared to a loss of US$41.8 million for the year ended 31 December 2018. The Group's net loss margin improved from 46% for the year ended 31 December 2018 to 18% for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's net current assets amounted to US$57.5 million (31 December 2018: US$77.7 million) which consisted of current assets of US$101.2 million (31 December 2018: US$110.8 million) and current liabilities of US$43.7 million (31 December 2018: US$33.1 million).

As at 31 December 2019, the Group's interest-bearing loans repayable within one year was US$27.9 million, including US$27.9 million denominated in US dollar (31 December 2018: US$18.9 million, including US$15.8 million denominated in US dollar and US$3.1 million denominated in Vietnamese Dong). As at 31 December 2019, the Group had no interest-bearing loans repayable beyond one year (31 December 2018: Nil). As at 31 December 2019, the gearing ratio was 43% (31 December 2018: 23%) calculated by dividing total bank loans by total shareholders' equity.

As at 31 December 2019, the Group's cash and bank balances (including bank deposits), amounted to US$52.0 million, which mainly included US$31.7 million denominated in Vietnamese Dong and US$20.3 million denominated in US dollar (31 December 2018: US$63.7 million, which mainly included US$34.7 million denominated in Vietnamese Dong and US$29.0 million denominated in US dollar).

The Board is of the opinion that the Group is in a healthy financial position and has sufficient resources to satisfy its working capital requirements and foreseeable capital expenditure.

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 2019, the Group had 1,467 employees (2018: 1,575). The total amount of salaries and related costs for the year ended 31 December 2019 amounted to approximately US$15.5 million (2018: US$12.8 million).

PROSPECTS

Looking ahead for 2020, the Group optimistically forecasts that the Vietnamese economy will achieve a steady growth. However, due to the fact that the industrial production system in Vietnam is incomplete and provides weak support for industries, it is still necessary to import a massive amount of parts for production. Plus, the unpredictable and severe spread of disease has an adverse impact on the production of manufacturers of spare parts in China. It foresees there will remain uncertainties and risks associated with the supply of production parts and short term procurement activities. In addition, in light of the challenging business environment in the Vietnamese motorbike industry, price volatility and competition are expected to persist. As the policies of the world's major countries are uncertain and the trade tensions and disputes between leading economies are becoming increasingly intense, the economic landscape will be more complicated in the future.

Looking ahead, 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 market promotion and sales channels, the Group will introduce a new Corporate Identity System, under which the Group will change the logo under the brand of SYM and implement a holistic sales strategy, so as to establish a more distinguished brand image of the Group. The Group will also 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. 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 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 Original Equipment Manufacturer 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 to 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 headed "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 2019:

	Net proceeds from the initial public offering as stated in the Prospectus and the Announcement Approximately in US$' million	Amounts utilised as at 31 December 2019 Approximately in US$' million	Balance unutilised as at 31 December 2019 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	7.3	7.7
Land development	19.3	4.2	15.1
Total	76.7	53.9	22.8

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**".

MATERIAL ACQUISITIONS

As disclosed in the announcement of the Company dated 18 October 2019, due to the legal restrictions under the laws of Vietnam, VMEP, through its nominee, entered into a series of transactions during the year including the acquisition of a property in Tay Ho District, Hanoi, Vietnam at the consideration of VND70,000,000,000. The legal title of the property is vested to Dinh Duong Joint Stock Company ("**Dinh Duong**", a non-wholly owned subsidiary of VMEP holding approximately 99.90%).

In March 2020, VMEP made a contribution to the capital of Dinh Duong 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 is now being processed.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2019, 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 2019.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2019 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 2019 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 23 June 2020. 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 18 June 2020 to 23 June 2020 (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 17 June 2020.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2019, 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 2019 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, 27 March 2020

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 three independent non-executive directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei.