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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 2022**

Financial Highlights :

	(expressed in US\$'million)		
	2022	2021	Change Amount
• Total revenue	132.9	93.0	39.9
• Gross profit	13.6	5.9	7.7
• Loss after tax	(0.2)	(5.6)	5.4
• Loss per share (US\$)	(0.0002)	(0.0061)	0.0059

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 2022 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 2022.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022

(Expressed in United States dollars)

		2022 US\$	2021 US\$
Revenue	Note 2	132,899,372	93,018,885
Cost of sales		<u>(119,341,579)</u>	<u>(87,159,261)</u>
Gross profit		13,557,793	5,859,624
Other income		1,147,872	435,397
Distribution costs		(6,221,993)	(5,186,251)
Technology transfer fees		(774,399)	(681,197)
Administrative and other operating expenses		<u>(7,059,715)</u>	<u>(7,024,000)</u>
Results from operations	649,558(6,596,427)
Finance income		2,171,384	2,386,210
Finance costs		<u>(2,089,472)</u>	<u>(953,216)</u>
Net finance income	3(a)81,9121,432,994
Impairment loss on other property, plant and equipment	3(c)	(769,825)	(390,545)
Impairment loss on prepayments for other property, plant and equipment	3(c)	(8,975)	(45,585)
Share of profit of an associate		<u>3,663</u>	<u>27,482</u>
		<u>(775,137)</u>	<u>(408,648)</u>
Loss before taxation	3	(43,667)	(5,572,081)
Income tax (expense)/credit	4	<u>(156,679)</u>	<u>3,538</u>
Loss for the year		<u>(200,346)</u>	<u>(5,568,543)</u>

**Consolidated Statement of Profit or Loss and Other
Comprehensive Income for the year ended 31 December 2022
(continued)**

(Expressed in United States dollars)

	Note	2022 US\$	2021 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>(1,508,628)</u>	<u>688,593</u>
Total comprehensive income for the year		<u><u>(1,708,974)</u></u>	<u><u>(4,879,950)</u></u>
Loss for the year attributable to:			
Equity shareholders of the Company		(200,346)	(5,568,542)
Non-controlling interests		<u>-</u>	<u>(1)</u>
		<u><u>(200,346)</u></u>	<u><u>(5,568,543)</u></u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		(1,708,974)	(4,879,949)
Non-controlling interests		<u>-</u>	<u>(1)</u>
		<u><u>(1,708,974)</u></u>	<u><u>(4,879,950)</u></u>
Loss per share			
- Basic and diluted	5	<u><u>(0.0002)</u></u>	<u><u>(0.0061)</u></u>

Consolidated Statement of Financial Position at 31 December 2022

(Expressed in United States dollars)

	Note	2022 US\$	2021 US\$
Non-current assets			
Investment properties		4,076,156	4,192,630
Other property, plant and equipment	6	4,289,558	2,919,138
Interest in an associate		605,801	615,055
Deferred tax assets		<u>-</u>	<u>93,203</u>
		8,971,515	7,820,026
Current assets			
Inventories	7	25,951,818	29,492,257
Trade receivables, other receivables and prepayments	8	36,799,492	25,778,262
Current tax recoverable		-	32,340
Cash and bank balances		<u>55,297,226</u>	<u>50,584,588</u>
		118,048,536	105,887,447
Current liabilities			
Trade and other payables	9	32,235,625	23,288,897
Bank loans		40,210,386	36,052,299
Lease liabilities		52,091	9,302
Current tax payable		19,879	7,171
Provisions		<u>1,247,288</u>	<u>1,058,435</u>
		73,765,269	60,416,104
Net current assets		<u>44,283,267</u>	<u>45,471,343</u>
Total assets less current liabilities		<u>53,254,782</u>	<u>53,291,369</u>
Non-current liabilities			
Deferred tax liabilities		33,607	-
Lease liabilities		<u>2,338,429</u>	<u>699,649</u>
		2,372,036	699,649
NET ASSETS		<u>50,882,746</u>	<u>52,591,720</u>

Consolidated Statement of Financial Position at 31 December 2022

(continued)

(Expressed in United States dollars)

	2022 US\$	2021 US\$
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	<u>49,715,564</u>	<u>51,424,538</u>
Total equity attributable to equity shareholders of the Company	50,878,436	52,587,410
Non-controlling interests	<u>4,310</u>	<u>4,310</u>
TOTAL EQUITY	<u><u>50,882,746</u></u>	<u><u>52,591,720</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 2022, 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 amendments to 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 2022 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 Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these 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.

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:

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Revenue from contracts with customers within the scope of IFRS 15		
Manufacture and sale of motorbikes	120,545,295	82,631,173
Manufacture and sale of spare parts and engines	12,354,077	10,268,193
Moulds and repair services	<u>-</u>	<u>119,519</u>
	<u><u>132,899,372</u></u>	<u><u>93,018,885</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 three customers (2021: two customers) with whom transactions have respectively exceeded 10% of the Group's revenue. During the year ended 31 December 2022, revenue from sales of motorbikes to the customers was as follows:

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Customer A	42,086,080	30,301,385
Customer B	21,362,815	19,469,004
Customer C*	<u>13,563,241</u>	<u>N/A</u>

*Revenue from customer C for the year ended 31 December 2021 did not contribute over 10% of the total revenue of the Group.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). 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, Dubai 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 or loss before interest and taxes", where "interest" is regarded as net finance income. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profit of an associate, impairment losses on non-current assets and other head office or corporate administration expenses.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), and depreciation. 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 2022 and 2021 is set out below:

	2022			
	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	120,545,295	12,354,077	-	132,899,372
Inter-segment revenue	<u>-</u>	<u>36,952,824</u>	<u>-</u>	<u>36,952,824</u>
Reportable segment revenue	<u>120,545,295</u>	<u>49,306,901</u>	<u>-</u>	<u>169,852,196</u>
Segment profit before depreciation	1,848,443	570,957	-	2,419,400
Depreciation	<u>(267,621)</u>	<u>-</u>	<u>-</u>	<u>(267,621)</u>
Reportable segment profit ("adjusted EBIT")	<u>1,580,822</u>	<u>570,957</u>	<u>-</u>	2,151,779
Share of profit of an associate				3,663
Net finance income				81,912
Impairment loss on other property, plant and equipment				(769,825)
Impairment loss on prepayments for other property, plant and equipment				(8,975)
Unallocated corporate expenses				<u>(1,502,221)</u>
Loss before taxation				<u>(43,667)</u>

	2021			
	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	82,631,173	10,268,193	119,519	93,018,885
Inter-segment revenue	-	23,693,580	-	23,693,580
Reportable segment revenue	<u>82,631,173</u>	<u>33,961,773</u>	<u>119,519</u>	<u>116,712,465</u>
Segment (loss)/profit before depreciation	(2,569,511)	(2,085,783)	23,713	(4,631,581)
Depreciation	(153,646)	-	-	(153,646)
Reportable segment (loss)/profit ("adjusted EBIT")	<u>(2,723,157)</u>	<u>(2,085,783)</u>	<u>23,713</u>	(4,785,227)
Share of profit of an associate				27,482
Net finance income				1,432,994
Impairment loss on other property, plant and equipment				(390,545)
Impairment loss on prepayments for other property, plant and equipment				(45,585)
Unallocated corporate expenses				(1,811,200)
Loss before taxation				<u>(5,572,081)</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	
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
Vietnam (place of domicile)	39,277,814	25,545,250	8,365,714	7,111,768
Thailand	55,322,752	37,041,604	-	-
Malaysia	24,816,965	23,149,906	-	-
The Philippines	5,082,341	2,349,651	-	-
Greece	4,615,490	2,434,888	-	-
Dubai	2,549,664	808,365	-	-
Taiwan	104,303	114,314	-	-
Other countries	1,130,043	1,574,907	-	-
	<u>132,899,372</u>	<u>93,018,885</u>	<u>8,365,714</u>	<u>7,111,768</u>

3. Loss before taxation

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

(a) Net finance income

	2022 <i>US\$</i>	2021 <i>US\$</i>
Interest income from banks	(2,171,384)	(1,962,267)
Net foreign exchange gain	<u>-</u>	<u>(423,943)</u>
Finance income	<u>(2,171,384)</u>	<u>(2,386,210)</u>
Interest paid and payable to banks	1,253,761	902,392
Interest on lease liabilities	166,063	50,824
Net foreign exchange loss	<u>669,648</u>	<u>-</u>
Finance costs	<u>2,089,472</u>	<u>953,216</u>
	<u>(81,912)</u>	<u>(1,432,994)</u>

(b) Staff costs

	2022 <i>US\$</i>	2021 <i>US\$</i>
Contributions to defined contribution retirement plans	1,133,980	1,150,018
Severance pay allowance	87,170	77,782
Salaries, wages and other benefits	<u>10,875,465</u>	<u>9,957,004</u>
	<u>12,096,615</u>	<u>11,184,804</u>

(c) Other items

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Depreciation of property, plant and equipment		
- other property, plant and equipment	267,621	153,646
- investment properties	<u>29,063</u>	<u>29,258</u>
	296,684	182,904
(Reversal of write-down)/write-down of inventories	(427,457)	1,483,520
Loss allowance of trade receivables	121,923	-
Impairment loss on other property, plant and equipment (note 6)	769,825	390,545
Impairment loss on prepayments for other property, plant and equipment (note 6)	8,975	45,585
Auditors' remuneration		
- Audit services	358,408	353,465
- Other services	4,586	4,624
Research and development expenses (note (i))	2,225,253	2,065,613
Cost of inventories (note (ii))	<u>120,292,431</u>	<u>85,675,741</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 2022 and 2021.
- (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

	2022 US\$	2021 US\$
Current tax		
Provision for the year	31,637	13,026
Under/(over)-provision in respect of prior year	<u>3,825</u>	<u>(12,662)</u>
	35,462	364
Deferred tax		
Origination and reversal of temporary differences	<u>121,217</u>	<u>(3,902)</u>
Actual tax expense/(credit)	<u>156,679</u>	<u>(3,538)</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 2022 and 2021.

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.

The applicable tax rate for Chin Zong Trading Co., Ltd. (“Chin Zong”) is 20% (2021: 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\$200,346 (2021: US\$5,568,542) and the weighted average of 907,680,000 (2021: 907,680,000) ordinary shares in issue during the year. The amount of basic loss per share is US\$0.0002 (2021: US\$0.0061) for the year ended 31 December 2022.

(b) Diluted loss per share

The amount of diluted loss per share is the same as the basic loss per share for the years ended 31 December 2022 and 2021 as there were no potential dilutive ordinary shares in existence during the years ended 31 December 2022 and 2021.

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\$778,800 (2021: US\$436,130) was recognised in profit or loss during the year to write down the carrying value of other property, plant and equipment and prepayments for other property, plant and equipment of the CGU to their recoverable amounts.

The recoverable amount of the CGU is determined based on the higher of its value-in-use and the fair value less costs of disposal. Management identified certain buildings included in the CGU which carrying values are likely to be recovered through a sales transaction. The recoverable amounts of these buildings are measured based on their fair value less costs of disposal. This valuation model considers recent sales prices of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group’s buildings compared to the recent sales. Higher premium for higher quality buildings will result a higher fair value measurement. The fair value on which recoverable amount is based is categorised as a Level 3 measurement under the three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. Key unobservable inputs include the premium on quality of the buildings 5% (2021: 3%). For assets which management considers are likely to be recovered through continuing use, the Group assessed the recoverable amount based on value-in-use calculation. These calculations use cash flow forecast based on financial budgets approved by management in which cash flows are discounted using pre-tax discount rate of 13% (2021: 13%).

7. Inventories

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

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Motorbikes manufacturing		
- Raw materials	20,318,760	23,698,036
- Tools and supplies	274,719	354,000
- Work in progress	316,166	319,890
- Finished goods	2,726,324	2,695,201
- Merchandise inventories (note (i))	<u>2,322,440</u>	<u>3,104,430</u>
	25,958,409	30,171,557
Provision for write-down of inventories	<u>(2,954,049)</u>	<u>(3,689,771)</u>
	23,004,360	26,481,786
Properties (note (ii))	<u>2,947,458</u>	<u>3,010,471</u>
	<u>25,951,818</u>	<u>29,492,257</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. At 31 December 2022 and 31 December 2021, the properties are under development stage.

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

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Carrying amount of inventories sold	120,292,431	85,675,741
(Reversal of write-down)/write-down of inventories	<u>(427,457)</u>	<u>1,483,520</u>
	<u>119,864,974</u>	<u>87,159,261</u>

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

	2022	2021
	<i>US\$</i>	<i>US\$</i>
At 1 January	3,689,771	2,733,199
(Reversal)/additions	(427,457)	1,483,520
Utilisation	(236,787)	(565,739)
Exchange adjustments	<u>(71,478)</u>	<u>38,791</u>
At 31 December	<u>2,954,049</u>	<u>3,689,771</u>

8. Trade receivables, other receivables and prepayments

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Trade receivables	19,740,540	10,543,474
Non-trade receivables	16,714,310	14,491,519
Prepayments	277,416	160,080
Amounts due from related parties		
-Trade	66,879	527,928
-Non-trade	<u>347</u>	<u>55,261</u>
	<u>36,799,492</u>	<u>25,778,262</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:

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Within 3 months	19,679,572	10,539,789
More than 3 months but within 1 year	127,847	530,802
More than 1 year	<u>-</u>	<u>811</u>
	<u><u>19,807,419</u></u>	<u><u>11,071,402</u></u>

9. Trade and other payables

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Trade payables	8,431,671	4,711,066
Other payables and accrued operating expenses	5,359,558	5,091,241
Contract liabilities – billings in advance of performance	733,388	1,280,985
Amounts due to related parties		
-Trade	17,295,814	11,961,731
-Non-trade	<u>415,194</u>	<u>243,874</u>
	<u><u>32,235,625</u></u>	<u><u>23,288,897</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:

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Within 3 months	25,718,605	16,647,442
More than 3 months but within 1 year	4,893	24,739
More than 1 year but within 5 years	<u>3,987</u>	<u>616</u>
	<u><u>25,727,485</u></u>	<u><u>16,672,797</u></u>

10. Commitments

Capital commitments outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Contracted for	<u>-</u>	<u>1,265,084</u>

11. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

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

In 2022 under review, the COVID-19 pandemic (the “**Pandemic**”) has improved and life in various regions has gradually returned to normal. Meanwhile, the Russia-Ukraine war broke out at the beginning of 2022 has affected the transport and supply of raw materials, coal and oil, which caused prices of raw materials and energy to soar, further pushing up the inflation that was already surging. Economic growth of the world's major economies has been significantly affected, adding uncertainty to the overall operating environment.

In Vietnam, the Group's major operating location, economy has gradually recovered following easing of the Pandemic situation. In 2022, Vietnam's economy grew rapidly with the support from strong export. 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 2022 was 3,003,160 motorbikes, representing an increase of 20.49% compared to 2021. However, due to the global inflation pressure and the interest rate hikes, the market demand has gradually weakened since late 2022.

There has been still keen competition in the business environment in Vietnam and Association of Southeast Asian Nations (“**ASEAN**”) countries. The management of the Group will continue to devote its best efforts to proactively identify potential business opportunities and strive to make a breakthrough in the business development, so as to make a roadmap and bring a motivator for sustainable development of the Group's core business, motorbikes manufacturing and sales, and benefit the Group therefrom.

BUSINESS REVIEW

In 2022, economic activities gradually recovered as Vietnam and ASEAN countries adapted to the impacts of the Pandemic and began to live in a “new normal”. However, the Group faced challenges from business difficulties and unfavorable industry development inflicted by disruption in the supply side in the motorcycle industry, continued high prices of raw materials, and shortage of motorcycle chips and related components. The Group is committed to quickly coordinating with various suppliers and flexibly deploying production orders to cope with the challenges of unstable supply chains effectively and ensured that production materials and components could be supplied steadily and caused sale volume to grow.

The Group saw growth in its main sales regions. The Group sold an aggregate of approximately 45,400 units (which was comprised of approximately 7,100 units of scooters and 38,300 units of cubs) in Vietnam for the year ended 31 December 2022, representing an increase of 61.7% from the previous year. The main reason for the increase was that in 2022, the Group introduced a number of scooters and cub motorbikes in new fashionable colors in the Vietnamese market to meet the needs of various consumers and cater for the demand of major customers in the summer peak season. In terms of brand building, by visually upgrading distributors' stores, the Group expanded more sales channels with higher quality in core cities of Vietnam to enhance customers' willingness to stay and stare, and cooperated with distributors to intensify promotion, as well as improved service content and quality to maintain sales growth.

In 2022, the Group sold an aggregate of approximately 64,000 units of scooters and cubs by exporting to ASEAN countries, representing an increase of 36.1% from the previous year. In major ASEAN countries, the demand was strong due to the rapid recovery of social momentum, and the Group accelerated the upgrading of engine horsepower of the existing motorbike types and refined product appearance in a timely manner, resulting in good

sales performance. In respect of operation, by upholding the strategy of market risk diversification, the Group aggressively explored the markets other than ASEAN countries, including Greece, Dubai and Colombia, to continuously develop new customers, and also improved the relationships with existing customers, exploiting diversified distribution channels, which achieved results of improvement in the sales performance for 2022.

The Group is committed to integrating its sales network to match marketing strategies, enhancing brand awareness and maintaining customer loyalty. As of 31 December 2022, the Group's extensive distribution network comprised over 163 SYM authorised stores owned by dealers, covering every province in Vietnam.

FINANCIAL REVIEW

The Group's net loss for the year ended 31 December 2022 decreased by US\$5.4 million, from a net loss of US\$5.6 million for the year ended 31 December 2021 to a net loss of US\$0.2 million for the year ended 31 December 2022. Further analysis on the operating results of the Group is set out below.

REVENUE

Revenue of the Group for the year ended 31 December 2022 increased to US\$132.9 million from US\$93.0 million for the year ended 31 December 2021, representing an increase of US\$39.9 million or 42.9%. In terms of domestic sales, in the post-pandemic era when Vietnam and the Pandemic coexist, there is a wave of retaliatory consumption, driving sales performance with increased revenue. However, price adjustment strategies were not implemented in response to competition from the industry and the slow acceptance of price adjustments in the Vietnamese market, which in turn affected further revenue growth. As for export, since ASEAN countries have always been the key markets for the Group to aggressively develop, the Group expanded such markets with its core products, and vigorously explored sales channels, achieving breakthrough sales performance in 2022. In particular, the sales in Thailand saw a strong growth. In order to reflect the higher raw material price and production cost, the Group increased the sales prices of export products to a moderate extent, and the revenue increased accordingly.

In terms of geographical contribution, approximately 29.6% of total revenue was generated from the domestic market in Vietnam for the year ended 31 December 2022 as compared with approximately 27.4% for the year ended 31 December 2021. Revenue from domestic sales in Vietnam increased by 54.1% from US\$25.5 million for the year ended 31 December 2021 to US\$39.3 million for the year ended 31 December 2022. Revenue from export sales increased by 38.7% from US\$67.5 million for the year ended 31 December 2021 to US\$93.6 million for the year ended 31 December 2022.

COST OF SALES

The Group's cost of sales increased by 36.8%, from US\$87.2 million for the year ended 31 December 2021 to US\$119.3 million for the year ended 31 December 2022. This was mainly due to the expansion of sales volume of the Group's products, and the increase in raw material cost, labor cost, energy price and other costs as compared with the same period in 2021, resulting in higher sales cost. The Group has taken various measures to improve production efficiency and reduce a wide range of costs in order to alleviate these cost pressures. The Group will continue to focus on and optimise the management of risk in association with cost.

As a percentage of total revenue, the Group's cost of sales decreased from 93.7% for the year ended 31 December 2021 to 89.8% for the year ended 31 December 2022. The Group will continue to strive to reduce the production cost per unit and stabilise production costs by developing new sourcing channels and re-selecting suppliers.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2022, the Group recorded a gross profit and gross profit margin of approximately US\$13.6 million and 10.2% respectively (for the year ended 31 December 2021: gross profit and gross profit margin of approximately US\$5.9 million and 6.3% respectively), representing an increase of US\$7.7 million in gross profit and 3.9 percentage points in gross profit margin. In 2022, the Group's sales growth contributed to a significant improvement in its gross profit. In the domestic market, it was the Group's main strategy to consolidate the existing market share, while in the export market, it gradually implemented the price adjustment strategy to optimize its product sales structure, resulting in improved profitability, and hedging the profit pressure caused by higher raw material cost to some extent.

DISTRIBUTION EXPENSES

The Group's distribution expenses increased by 19.2%, from US\$5.2 million for the year ended 31 December 2021 to US\$6.2 million for the year ended 31 December 2022. The increase in distribution expenses was mainly attributable to the increase in transportation-related expenses resulting from the increasing export sales volume of the Group and the resumption of the store upgrade plans which were postponed due to the Pandemic in 2022. By working with distributors to upgrade stores and expand modern-oriented physical stores, the Group has provided consumers with more comfortable product display and maintenance service space. Such store upgrade plans are critical to future sales and operations.

TECHNOLOGY TRANSFER FEES

The technology transfer fees increased by 14.3% from US\$0.7 million for the year ended 31 December 2021 to US\$0.8 million for the year ended 31 December 2022, resulting from an increase 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 slightly increased by 1.4% from US\$7.0 million for the year ended 31 December 2021 to US\$7.1 million for the year ended 31 December 2022, mainly due to increase in professional services fees. The Group's administrative and other operating expenses is 5.3% of the Group's total revenue for the year ended 31 December 2022.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, for the year ended 31 December 2022, the Group recorded a profit from operating activities of US\$0.6 million (for the year ended 31 December 2021: loss from operating activities of US\$6.6 million).

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

The Group suffered significant operating losses over the past few years due to the fierce competition in the motorbike industry and increase of manufacturing costs on new launched products, resulting in 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 over the past few years. The Group considered it was an indication that the other property, plant and equipment for the manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment (the "Relevant PPE") and prepayments for other property, plant and equipment may be impaired. Accordingly, the Group carried out an impairment testing on the Relevant PPE and prepayments for other property, plant and equipment and noted an impairment loss of approximately US\$0.8 million on the other property, plant and equipment and prepayments for other property, plant and equipment were required as at 31 December 2022.

NET FINANCE INCOME

The Group's net finance income decreased by 94.4%, from US\$1.43 million for the year ended 31 December 2021 to US\$0.08 million for the year ended 31 December 2022. Such decrease was mainly attributable to the recognition of foreign exchange losses of US\$0.7 million arising from fluctuation of the Vietnamese Dong against the US dollar for 2022, increase in bank interest expense by US\$0.4 million, increase in lease liabilities interest expense by US\$0.1 million and offset by increase in bank interest income by US\$0.2 million.

LOSS FOR THE YEAR AND NET LOSS MARGIN

As a result of the factors discussed above, the Group's net loss for the year ended 31 December 2022 amounted to US\$0.2 million, representing a decrease of 96.4% as compared to a loss of US\$5.6 million for the year ended 31 December 2021. The Group's net loss margin decreased 5.8 percentage points from 6.0% for the year ended 31 December 2021 to 0.2% for the year ended 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's net current assets amounted to US\$44.3 million (31 December 2021: US\$45.5 million) which consisted of current assets of US\$118.1 million (31 December 2021: US\$105.9million) and current liabilities of US\$73.8 million (31 December 2021: US\$60.4 million).

As at 31 December 2022, the Group's interest-bearing loans repayable within one year was US\$40.2 million (31 December 2021: US\$36.1 million). As at 31 December 2022, the Group had no interest-bearing loans repayable beyond one year (31 December 2021: Nil). As at 31 December 2022, the gearing ratio was 79.0% (31 December 2021: 69.0%) calculated by dividing total bank loans by total shareholders' equity.

As at 31 December 2022, the Group's cash and bank balances (including bank deposits), amounted to US\$55.3 million, which mainly included US\$47.9 million denominated in Vietnamese Dong, US\$6.9 million denominated in US dollar and US\$0.5 million denominated in New Taiwan Dollar (31 December 2021: US\$50.6 million, which mainly included US\$44.0 million denominated in Vietnamese Dong and US\$6.3 million denominated in US dollar).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Transactions of the Group are mainly denominated in Vietnamese Dong and US dollar. The Group will closely monitor the trend of fluctuation exchange rate and strengthen relevant personnel's awareness of risk prevention to deal with exchange rate risks. 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. As at 31 December 2022, the Group did not use any financial instrument to hedge its foreign exchange risks.

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 2022, the Group had 1,155 employees (2021: 1,116). The total amount of salaries and related costs for the year ended 31 December 2022 amounted to approximately US\$12.1 million (2021: US\$11.2 million).

PROSPECTS

Looking forward into 2023, factors such as inflation, monetary tightening and regional conflicts in various countries will continue to have a significant impact on the global economy. It is expected that the supply of various global and local raw materials, energy and packaging materials will also continue to be affected in 2023, maintaining the prices at a high level. In view of this, the Group will purchase raw materials and parts in a more flexible and diversified manner to stabilise its production cost, adjust and strengthen its sales strategies in a due course, and speed up new product development with a view to stabilising the pace of operation.

In 2023, the Group plans to roll out a number of new or modified motorbike models in the Vietnamese market and ASEAN countries market, including scooter, cub and electric motorbikes, so as to achieve product diversification and greater profitability. In terms of sales channel upgrading, the Group will improve the quality of existing stores focusing on the image building of benchmark stores in order to provide consumers with better space for product purchasing and maintenance, and to enhance brand awareness and reputation. 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 Group will seize all available development opportunities to enhance its long-term profitability and maximise returns for the shareholders of the Company.

APPLICATION OF INITIAL PUBLIC OFFERING PROCEEDS

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

The table below sets out the detailed items of the use of proceeds from the initial public offering as at 31 December 2022:

	Net proceeds from the initial public offering as stated in the Prospectus and the Announcement Approximately in <i>US\$’ million</i>	Amounts utilised as at 31 December 2022 Approximately in <i>US\$’ million</i>	Balance unutilised as at 31 December 2022 Approximately in <i>US\$’ million</i>
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	12.0	3.0
Land development	<u>19.3</u>	<u>4.2</u>	<u>15.1</u>
Total	<u>76.7</u>	<u>58.6</u>	<u>18.1</u>

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

The unutilised amount of net proceeds is expected to be fully utilised by 2027.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments and contingent liabilities as at 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2022, the Group had no material acquisition or disposal of subsidiaries and associated companies.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2022, the Group did not hold any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have any other specific plan for material investments or acquisitions of capital assets as at 31 December 2022.

PLEDGE ON ASSETS

As at 31 December 2022, the Group pledged its bank time deposits of US\$24,809,910 as securities for banking facilities granted to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATTERS IN RELATION TO CAPITAL REDUCTION TO SUBSIDIARIES

During the year ended 31 December 2022, Chin Zong Trading Co., Ltd (“**Chin Zong**”, a company incorporated in Taiwan with limited liability), a wholly-owned subsidiary of the Company, reduced its capital by NT\$65,000,000 in order to adjust its capital structure and improve the return on shareholders' equity, upon which the paid-in capital of Chin Zong was NT\$85,000,000.

Save as disclosed above, the Group had no other capital reduction or disposal of subsidiaries and affiliates for the year ended 31 December 2022.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2022 and up to the date of this announcement, there were no significant events that might affect the Group.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2022, 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:

Pursuant to Rule 3.27A of the Listing Rules (previously paragraph A.5.1 of the code provision of the Code, which has been renumbered as Rule 3.27A of the Listing Rules with effect from 1 January 2022) and paragraph B.3.1 of the code provision of the Code provide that an issuer should establish a nomination committee with specific written terms of reference for the following duties: (i) review the structure, size and composition of the Board, (ii) select and nominate individuals to be appointed as directors, (iii) assess the independence of independent non-executive directors, and (iv) make recommendation to the Board on the appointment or reappointment of directors and succession planning for directors. The Company had not set up a nomination committee as all major decisions regarding the Board composition and its members were made in consultation with the Board in which all directors of the Company would participate in the process and perform the duties of a nomination committee as contemplated in the Code. The Board considered that it was not necessary to establish a nomination committee given that the current arrangements meet the objective of the Code.

In view of the relevant Listing Rules and the Code amendments effective from 1 January 2022, the Company has set up a nomination committee with its terms of reference with effect from 19 January 2022 and since then, the relevant deviation has been remediated.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors 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 2022.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2022 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 2022 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 ("AGM") of the Company will be held on Friday, 16 June 2023. Notice of the AGM will be published and issued to the shareholders of the Company in due course. For determining the entitlement to attend and vote in the AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (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 AGM, 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, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 12 June 2023. Shareholders of the Company whose names are recorded in the register of members of the Company on 16 June 2023 are entitled to attend and vote at the AGM.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2022 and up to the date of this announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the HKEX news website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.com.hk and on the Company's website at www.vmeoph.com. The annual report 2022 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, 14 March 2023

As at the date of this announcement, the Board comprised three executive directors, namely Mr. Liu Wu Hsiung, Mr. Huang Tsung Yeh and Mr. Lin Chun Yu, three non-executive directors, namely Mr. Chiang Chin Yung, Mr. Chen Hsu Pin and Ms. Wu Li Chu and three independent non-executive directors, namely Ms. Lin Ching Ching, Ms. Wu Kwei Mei and Mr. Cheung On Kit Andrew.