# VMEPH Vietnam

**Vietnam Manufacturing and Export Processing (Holdings) Limited**

越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)


ANNUAL REPORT 2015

# Contents



# Corporate Information

## BOARD OF DIRECTORS

**Executive Directors:**

Mr. Liu Wu Hsiung *(Chairman)*
(appointed on 16 May 2015)
Mr. Lu Tien Fu *(Chief Executive Officer)*
Ms. Wu Li Chu (appointed on 11 August 2015)
Mr. Chou Ken Yuan (resigned on 15 May 2015)
Mr. Yu Wen Lung (resigned on 13 July 2015)
Mr. Chen Pang Hsiung (resigned on 20 July 2015)

**Non-executive Directors:**

Mr. Chiu Ying Feng
Mr. Chang Yung Chieh

**Independent Non-executive Directors:**

Ms. Lin Ching Ching
Mr. Shen Hwa Rong
Ms. Wu Kwei Mei

## AUDIT COMMITTEE:

Ms. Lin Ching Ching *(Chairman)*
Mr. Shen Hwa Rong
Ms. Wu Kwei Mei

## REMUNERATION COMMITTEE:

Ms. Lin Ching Ching *(Chairman)*
Ms. Wu Kwei Mei
Mr. Liu Wu Hsiung (appointed on 20 July 2015)
Mr. Chen Pang Hsiung (resigned on 20 July 2015)

## AUTHORISED REPRESENTATIVES

Mr. Chan Chi Shing
Mr. Liu Wu Hsiung

## COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Chi Shing

## AUDITOR

KPMG

## LEGAL ADVISER

Norton Rose Fulbright Hong Kong

## REGISTERED OFFICE

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

## HEAD OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1109, 11/F., Metro Centre I,
32 Lam Hing Street, Kowloon Bay,
Kowloon, Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4/F., Royal Bank House, 24 Shedden Road, George Town,
Grand Cayman KY1-1110,
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

Asia Commercial Bank
HSBC
Vietcom Bank

## STOCK CODE

422

## WEBSITE AND CONTACT

www.vmeph.com
Tel: (852) 2562 1692
Fax: (852) 2562 1691

# Financial Summary

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

| | Years ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | ***US$'M*** | *US$'M* | *US$'M* | *US$'M* | *US$'M* |
| **RESULTS** | | | | | |
| Revenue | **125.7** | 177.5 | 172.7 | 204.3 | 270.2 |
| Gross profit | **9.1** | 11.9 | 13.4 | 22.3 | 47.4 |
| Results from operating activities | **(11.0)** | (15.5) | (15.3) | (7.4) | 11.9 |
| (Loss)/Profit before income tax | **(7.8)** | (10.2) | (8.8) | 1.2 | 22.1 |
| (Loss)/Profit attributable to equity shareholders | **(8.0)** | (10.4) | (9.5) | 0.7 | 17.2 |
| (Loss)/Earning per share *(US$)* (1) | **(0.009)** | (0.011) | (0.010) | 0.001 | 0.019 |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **177.3** | 212.1 | 210.4 | 209.2 | 206.9 |
| Total liabilities | **41.0** | 62.7 | 49.3 | 37.3 | 31.5 |
| Net assets | **136.3** | 149.4 | 161.1 | 171.9 | 175.4 |
| Equity attributable to equity shareholders | **136.3** | 149.4 | 161.1 | 171.9 | 175.4 |
| Return on equity *(%)* | **(5.9)** | (7.0) | (5.9) | 0.4 | 10.0 |
| Current ratio *(times)* (2) | **3.7** | 2.9 | 3.6 | 4.6 | 5.2 |
| Gearing ratio *(%)* (3) | **18** | 25 | 13 | 0 | 0.2 |

*Note:*

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

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

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

# 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 in Vietnam. The Group offers a wide range of motorbikes models which are sold under the SYM brand name. It also produces motorbike engines and parts for its own manufacturing use as well as for sale and export, and provides services associated with moulds to make die-cast and forged metal parts.

## OPERATING ENVIRONMENT

Vietnam's economy has obviously improved in 2015, with a gross domestic product ("GDP") growth rate of 6.7%, higher than the government's target of 6.2% for the year 2015. The growth of GDP was mainly due to a record-high amount for foreign direct investment ("FDI") of US$14.5 billion, an increase of 17% as compared to the year 2014. The State Bank of Vietnam devalued the Vietnamese Dong three times during the year 2015 to boost export sales after China devalued the value of Renminbi, leading to a depreciation of most Asian currencies. Vietnam's economy has been improving while export sales increased by 8% and import sales climbed 12% for the year 2015. Inflation was kept at 0.6%, the lowest level since 2001 which was below the Vietnam's central bank's target of 5% for 2015. Total retail sales of consumer goods increased about 11%, which is the highest in the past five years. Vietnam has managed to stabilize the macro-economy and control inflation at a low level during the year 2015.

Vietnam has the highest usage of motorbikes among other countries in the world, many FDI manufacturers have extended investment to raise their market shares in the Vietnam's motorbike industry for the last several years. However, these FDI manufacturers have faced challenges because of the motorbike market's saturation with supply far exceeding demand and the government's policy of limiting private vehicles to ease overloaded traffic infrastructure.

According to statistics from the Vietnam Association of Motorcycle Manufacturers, total sales of the 5 largest FDI motorbike manufacturers in Vietnam reached 2.85 million units in 2015, slightly increased by 5% compared to 2014. The Group ranked third in the Vietnam's motorbike market, after the Japanese brands Honda and Yamaha, reached a sale of approximately 59,500 units in 2015, accounted for 2.1% of the total market share. Sales of SYM-branded cubs had a slight decrease with a total 48,000 units (compared to 49,100 units in 2014), a significant decline of the scooters with 11,500 units sold (compared to 25,500 units in 2014). Leading SYM's best-selling list was the cub model Elegant with 28,700 units sold, divided equally among the 100cc and the 50cc version. Scooter model Attila (mainly the Elizabeth EFI and Venus versions) with over 11,500 units sold in 2015. The 2 cub models Angela and Galaxy achieved sales of 12,700 and 6,600 units respectively in 2015.

## BUSINESS REVIEW

Despite the continued instability of the Vietnamese economy and the fierce competitions in the motorbike industry, the Group adopted ongoing strategies on the cost reduction and efficiency enhancement, research and development, expansion of overseas markets during the year 2015. The Group strived to improve its operational efficiency and implemented cost control in order to minimise the negative impacts arising from the decrease of consumer spending in Vietnam. The Group continued to introduce electronic fuel injection technology features to enhance the quality and upgrade scooter models such as ATTILA-VENUS and ELIZABETH.

The revenue of the Group for the year ended 31 December 2015 decreased 29% to US$125.7 million from US$177.5 million of the previous year, the decline was due to a slowdown of the Vietnamese economy (i.e. compared to the level of double-digit GDP growth before the global financial crisis) and decrease in domestic spendings in Vietnam and ASEAN countries during the year 2015. The Group sold an aggregate of approximately 59,500 units (which comprised of approximately 11,500 units of scooters and 48,000 units of cubs respectively) in Vietnam during the year, representing a decrease of 20% from the previous year. The Group sold an aggregate of approximately 105,000 units of scooters and cubs and exported to ASEAN countries, representing a decrease of 32% from the previous year. In particular, there has been a sharp fall in motorbike sales in Malaysia as the Malaysian government imposed 6% of goods and services tax in the second quarter of 2015.

As of 31 December 2015, the Group's extensive distribution network comprised over 189 SYM-authorised stores owned by dealers, covering every province in Vietnam.

## FINANCIAL REVIEW

The Group recorded a net loss of US$8.0 million for the year ended 31 December 2015 as compared to a net loss of US$10.4 million for the year ended 31 December 2014, which reflected the challenging operating environment for the motorbike industry. Further analysis on the operating results of the Group is set out below.

# Management Discussion and Analysis

## REVENUE

Revenue of the Group for the year ended 31 December 2015 decreased to US$125.7 million from US$177.5 million for the year ended 31 December 2014, representing a decrease of US$51.8 million or 29%. Such decrease was attributed to drop in sales volume of motorbikes in Vietnam and ASEAN countries due to slowdown of the economy and domestic spendings during the year. The Group's overall sales volume of all motorbikes and those of scooters in Vietnam decreased by 20% and 53% over the comparative periods, respectively. The poor financial performance was attributed to a significant drop of sales volume of scooters in Vietnam which were the Group's major profit driver during 2015. The principal scooter models include ATTILA-V, VENUS and ELIZABETH, and cub models of ELEGANT, GALAXY and ANGELA.

In terms of geographical contribution, approximately 47% of total revenue was generated from the domestic market in Vietnam for the year ended 31 December 2015 as compared with 45% for the year ended 31 December 2014. Domestic sales in Vietnam decreased by 26% from US$80.2 million for the year ended 31 December 2014 to US$59.2 million for the year ended 31 December 2015. Export sales to ASEAN markets decreased by 32% from US$97.4 million for the year ended 31 December 2014 to US$66.4 million for the year ended 31 December 2015. The number of engines exported decreased from approximately 34,600 units for the year ended 31 December 2014 to approximately 23,800 units for the year ended 31 December 2015.

## COST OF SALES

The Group's cost of sales decreased by 30%, from US$165.6 million for the year ended 31 December 2014 to US$116.6 million for the year ended 31 December 2015. Such decrease was mainly attributed to the drop of sales volume in Vietnam and ASEAN countries, also resulting from cost reduction arising from expanding procurement sources for materials and components, and effort to enhance cost effectiveness. As a percentage of total revenue, the Group's cost of sales remained at 93% for the year ended 31 December 2015, same as last year.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group decreased by 24%, from US$11.9 million for the year ended 31 December 2014 to US$9.1 million for the year ended 31 December 2015. The Group's gross profit margin remained stable at 7% for the year ended 31 December 2015, same as the comparative period.

## DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 38% from US$11.5 million for the year ended 31 December 2014 to US$7.2 million for the year ended 31 December 2015. Such decrease was mainly due to the decreases in warranty of the motorbikes, sales incentives and supporting fees paid to distributors and advertising expenses for promotion.

## TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 31%, from US$4.2 million for the year ended 31 December 2014 to US$2.9 million for the year ended 31 December 2015, resulting from a decrease in the sales of SYM-branded motorbikes in Vietnam and ASEAN countries.

## ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased 14% from US$12.0 million for the year ended 31 December 2014 to US$10.3 million for the year ended 31 December 2015, which account for 8% of the Group's total revenue for the year ended 31 December 2015. The decrease was principally due to the decrease in research and development expenses and other operating costs, and effort to boost operation efficiency and strengthen cost control.

## RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities improved by 27%, from a loss of US$15.5 million for the year ended 31 December 2014 to a loss of US$11.0 million for the year ended 31 December 2015.

## NET FINANCIAL INCOME

The Group's net finance income decreased by 39%, from US$5.2 million for the year ended 31 December 2014 to US$3.2 million for the year ended 31 December 2015. Such decrease was mainly attributable to a decrease in interest income by US$0.9 million and an increase of bank interest expenses of US$0.1 million. Foreign exchange loss arising from the fluctuation of the Vietnamese Dong against the US Dollar for the year ended 31 December 2015 amounted to US$0.8 million as compared to a foreign exchange gain of US$0.2 million for the year ended 31 December 2014.

## 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 2015 amounted to US$8.0 million, a decrease of 23% as compared to a loss of US$10.4 million for the year ended 31 December 2014. However, the Group's net loss margin worsened from 5.8% for the year ended 31 December 2014 to 6.4% for year ended 31 December 2015.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's net current assets amounted to US$111.5 million (31 December 2014: US$119.1 million) which consisted of current assets of US$152.5 million (31 December 2014: US$181.8 million) and current liabilities of US$41.0 million (31 December 2014: US$62.7 million).

As at 31 December 2015, the bank loans repayable within one year was US$24.6 million, including US$19.3 million denominated in US$ and US$5.3 million denominated in Vietnamese Dong (31 December 2014: US$37.3 million, including US$28.4 million denominated in US$ and US$8.9 million denominated in Vietnamese Dong). As at 31 December 2015, the Group had no bank loans repayable beyond one year (31 December 2014: Nil). As at 31 December 2015, the gearing ratio was 18% (31 December 2014: 25%) calculated by dividing total bank loans by total equity.

As at 31 December 2015, the cash and bank balances (including bank deposits), amounted to US$102.5 million, which mainly included US$57.6 million denominated in Vietnamese Dong, US$27.2 million denominated in US$ and US$17.7 million denominated in Renminbi ("RMB") (31 December 2014: US$118.2 million, which mainly included US$72.5 million denominated in Vietnamese Dong, US$28.2 million denominated in US$, US$17.1 million denominated in RMB and US$0.4 million denominated in NT$ and Hong Kong Dollar).

As at 31 December 2015, the Group had no investment (31 December 2014:Nil).

The Board is of the opinion that the Group is in a healthy liquidity position and, after due and careful enquiry, it has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this announcement and for its foreseeable capital expenditure.

## EXPOSURE TO FOREIGN EXCHANGE RISK

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 or US Dollar. The Group was not exposed to material exchange rate risk and had not employed any financial instruments 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, US Dollar and RMB.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments and contingent liabilities as at 31 December 2015.

## 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 2015, the Group had 1,578 employees (2014: 1,833). The total amount of salaries and related costs for the year ended 31 December 2015 amounted to US$10.7 million (2014: US$12.4 million).

## PROSPECTS

The Vietnamese government estimated the Vietnamese economy will expand at a steady economic growth rate at 6.7 % in 2016, being the one of the fastest-growing markets in the world while a slow growth is expected for other emerging economies including China. The steady growth rate of Vietnamese economy is very important in the coming years when facing falling oil prices and instabilities in the international financial markets. As the country begins a leadership transition, the steady growth of economy will set the tone for economic reform and growth. The Vietnam's communist party's draft socio-economic plan for the years 2016 to 2020 shows that the nation will target as much as 7% of average annual expansion. The Vietnam central bank's recent effort to make the exchange rate more flexible will also strengthen the macro-economic stability and help ease pressure on reserves. It is also expected that the rising domestic demand and booming foreign direct investment will help the nation cope with global threats that may lead to a wave of stock selling and currency depreciation in the forthcoming year.

Vietnam is now a party to the recently signed Trans-Pacific Strategic Economic Partnership Agreement (TPP), the world's largest free trade agreement amongst 12 nations, including the United States and Japan. The World Bank said in a recent report that the TPP expected to generate considerable benefits for Vietnam, yet many financial analysts still expected that the Vietnam's economic performance will be vulnerable to the nation's high public debts, inefficient operation of huge state-owned enterprises and severe corruption problem in the country.

# Management Discussion and Analysis

Vietnam's motorbike market will continue to face many difficulties, challenges and tough competition in the year of 2016. In order to cope with the challenging operating environment, the Group plans to focus on product innovation as its expansion strategy. The Group continues to strengthen its development capabilities in product design and core technologies to introduce more innovative products to meet market demands and consumer preferences. Notwithstanding the Group's good relationship with distributors, research and development and production capabilities developed over the years, and distribution supply chain advantages, the Group's innovative business plan takes time to yield its results. On the production side, the Group will continue to enhance the efficiency and effectiveness of its manufacturing processes. Prudent cost control measures will be implemented in all production plants. The Group will continue to upgrade its production capabilities and product quality in order to keep up with customer demands and achieve higher customer satisfaction.

The Group plans to introduce six completely new or modify motorbike series in Vietnam including "Shark Mini", "16 inches Flagship Motion" and brand new 125cc motors to raise product prices and profitability in 2016. The Group also targets to launch more high value motorbike models to expand its market share in ASEAN motorbike markets in 2016, particularly in Malaysia and the Philippines, and also to boost profit margins on the expanded export sales.

In addition, the Group is constantly looking for opportunities to enhance financial performance and 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 IPO by the Company in December 2007, net of listing expenses, were approximately US$76.7 million. As at 31 December 2015, the net proceeds were utilized in the following manner:

| | **Per Prospectus** | **Amount Utilized** | **Balance as at 31 December 2015** |
|---|---|---|---|
| | *US$' million* | *US$' million* | *US$' million* |
| Construction of research and development centre in Vietnam | 15.0 | 11.7 | 3.3 |
| Expanding distribution channels in Vietnam, of which: | | | |
| – Upgrading of existing facilities | 4.0 | 4.0 | – |
| – Establishing of new facilities | 46.0 | 1.9 | 44.1 |
| Mergers and acquisitions | 9.0 | 1.7 | 7.3 |
| General working capital | 2.7 | 2.7 | – |
| Total | 76.7 | 22.0 | 54.7 |

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

## REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2015 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.

## PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2015, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

## OUR APPRECIATION

Finally, we would like to express our gratitude to the Shareholders and the suppliers and customers of the Group for their unwavering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

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

Hong Kong, 24 March 2016

# Corporate Governance Report

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company", and collectively with its subsidiaries, the "Group") is committed to maintaining high standards of corporate governance. The principles of corporate governance adopted by the Company emphasise a board of high quality, sound internal control, transparency and accountability to all shareholders.

## CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2015, the Company has complied with the applicable code provisions as set out in the Code on Corporate Governance Practice in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") at the relevant times, except for the following deviation:

Paragraph A.5.2 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. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2015.

## THE BOARD OF DIRECTORS

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

The principal roles of the Board are:

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

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

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

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

## COMPOSITION OF THE BOARD

The members of the Board for the year ended 31 December 2015 were:

### Executive Directors

Mr. Liu Wu Hsiung *(Chairman)* (appointed on 16 May 2015)
Mr. Lu Tien Fu *(Chief Executive Officer)*
Ms. Wu Li Chu (appointed on 11 August 2015)
Mr. Chou Ken Yuan (resigned on 15 May 2015)
Mr. Yu Wen Lung (resigned on 13 July 2015)
Mr. Chen Pang Hsiung (resigned on 20 July 2015)

### Non-executive Directors:

Mr. Chiu Ying Feng
Mr. Chang Yung Chieh

### Independent Non-executive Directors:

Ms. Lin Ching Ching
Mr. Shen Hwa Rong
Ms. Wu Kwei Mei

# Corporate Governance Report

The Directors have no financial, business, family or other material/relevant relationships with each other (including the Chairman and the chief executive). The biographical details of the current Directors are set out in the "Directors and Senior Management Profile" section on pages 14 to 15 of this annual report.

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

## BOARD MEETINGS AND GENERAL MEETINGS

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

There were 11 Board meetings held during the year ended 31 December 2015. The annual general meeting was convened on 19 June 2015. The number of meetings attended by each Director was as follows:

| | Number of Meetings Attended | |
|---|---|---|
| **Name of Directors** | **Board meetings** | **General meetings** |
| Mr. Liu Wu Hsiung | 7/7 | 1/1 |
| Mr. Lu Tien Fu | 10/11 | 0/1 |
| Ms. Wu Li Chu | 4/4 | 0/0 |
| Mr. Chiu Ying Feng | 11/11 | 0/1 |
| Mr. Chang Yung Chieh | 8/11 | 0/1 |
| Ms. Lin Ching Ching | 10/11 | 1/1 |
| Mr. Shen Hwa Rong | 11/11 | 1/1 |
| Ms. Wu Kwei Mei | 10/11 | 1/1 |
| Mr. Chou Ken Yuan | 4/4 | 0/0 |
| Mr. Chen Pang Hsiung | 5/5 | 1/1 |
| Mr. Yu Wen Lung | 5/5 | 1/1 |

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

## THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. As at the date of this report, the Chairman and Chief Executive Officer of the Company are Mr. Liu Wu Hsiung and Mr. Lu Tien Fu respectively. While Mr. Chou Ken Yuan was the Chairman till he resigned on 15 May 2015, and Mr. Chen Pang Hsiung was Chief Executive Officer until he resigned on 20 July 2015.

The roles and responsibilities of the Chairman and the Chief Executive Officer of the Company are separated so as to ensure a balance of power and authority. This balance ensures that all matters brought before the Board are fully and objectively discussed, taking into account the interests of shareholders of the Company (the "Shareholders") as a whole, including in particular, those of the minority Shareholders.

## NON-EXECUTIVE DIRECTORS

In line with code provision A.4.1 of the Code, the non-executive Directors (including the independent non-executive Directors) are appointed for a specific term of three years, subject to re-election at annual general meetings of the Company in accordance with the articles of association of the Company.

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

# Corporate Governance Report

## BOARD COMMITTEES

The Company currently maintains two board committees (namely the Audit Committee and the Remuneration Committee) with defined terms of reference which are posted on the websites of the Company and the Stock Exchange. The Board is responsible for performing the corporate governance duties set out in the Code.

## REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") which consists of two independent non-executive Directors and one executive Director. The members of the Remuneration Committee for the year ended 31 December 2015 were Ms. Lin Ching Ching (Chairman), Ms. Wu Kwei Mei and Mr. Liu Wu Hsiung, while Mr. Chen Pang Hsiung was the Chairman until he resigned on 20 July 2015.

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

During the year ended 31 December 2015, the Remuneration Committee met on 3 occasions where all members attended. The meeting of the Remuneration Committee was held to determine the policy for the remuneration of executive Directors, assessing performance of executive Directors, and review and recommend to the Board the remuneration packages of the Directors and senior management of the Company. Each Director abstained from discussing his/her own remuneration.

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

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

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") which consists of three independent non-executive Directors. The members of the Audit Committee for the year ended 31 December 2015 were Ms. Lin Ching Ching (Chairman), Mr. Shen Hwa Rong and Ms. Wu Kwei Mei.

During the year ended 31 December 2015, the Audit Committee met on 3 occasions where all members attended. The Audit Committee met with the external auditors to discuss and review areas of concern, risk management and internal control, and reviewed the interim and annual financial statements before submission to the Board. The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited financial statements, the interim and annual reports. The Audit Committee received comprehensive reports from the management team and the internal and external auditors for the meetings held.

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

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

# Corporate Governance Report

## NOMINATION OF DIRECTORS

During the year ended 31 December 2015, the Company has not set up a nomination committee as all major decisions regarding Board composition and its members were made in consultation with the Board in which all Directors will participate in the process and perform the duties of a nomination committee as contemplated in the Code. The Chairman of the Company reviewed the composition of the Board from time to time with particular regard to ensure that there is an appropriate number of Directors on the Board who are independent of management.

As part of high standards of corporate governance, the Board has adopted a board diversity policy. Under the board diversity policy, selection of candidates for Board appointment is made in accordance with gender, age, cultural and educational background, work or professional experience, the Group's specific needs from time to time and other objective criteria considered by the Board. Board appointments will be based on merit and the contribution that the chosen candidate(s) will bring to the Board.

## AUDITOR'S REMUNERATION

The fees in relation to the audit services provided by Messrs. KPMG, the external auditor of the Company, for the year ended 31 December 2015 amounted to US$357,596 (2014: US$404,276). The Company did not engage KPMG for any non-audit service during the year.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group for the year ended 31 December 2015, suitable accounting policies have been adopted and applied consistently. The Board is not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue in business. The financial statements of the Group for the reporting year have been prepared on a going concern basis.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is further responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of Directors and senior management;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
(e) to review the Company's compliance with the Code as set out in Appendix 14 to the Listing Rules.

## INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the internal control and risk management systems to ensure that the systems in place are adequate. The internal audit department of the Group reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. Based on the above, the Board is of the view that the Group has established a proper internal control system which is effective and adequate.

# Corporate Governance Report

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Company also organised training sessions for new Directors appointed during the year, namely Mr. Liu Wu Hsiung and Ms. Wu Li Chu, conducted by Norton Rose Fulbright Hong Kong, the Company's Hong Kong legal adviser. The new Directors have been provided with necessary induction and information to ensure that they have a proper understanding of the Group's operations and businesses as well as their responsibilities under the relevant statutes, laws, rules and regulations.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. During the year, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills by reading materials and presentations prepared by company secretary and chief financial officer on corporate governance or updates on laws, rules and regulations relating to the roles, functions and duties of a Director.

## SAFEGUARDING THE INTERESTS OF INDEPENDENT SHAREHOLDERS

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

## DEED OF NON-COMPETITION

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

Each of the Covenantors also declares that it/he/she has complied with the Deed of Non-competition. Having made specific enquiries with all of the Covenantors, the independent non-executive Directors confirmed the Covenantors' compliance with the Deed of Non-competition.

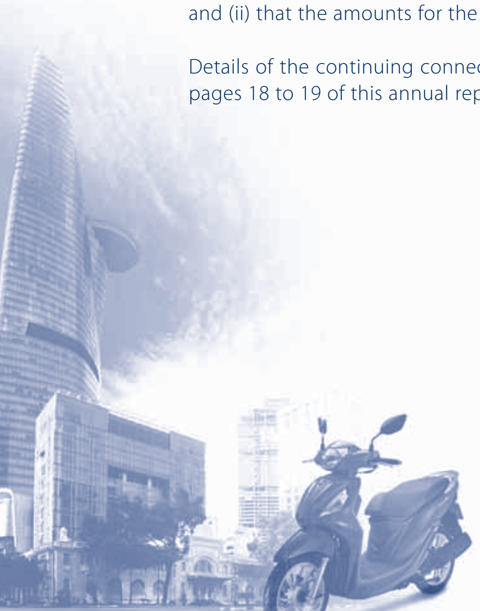
## CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions entered into by the Group during the year ended 31 December 2015 were based on normal commercial terms, in the ordinary and usual course of business of the Group and were conducted on a fair and reasonable basis.

The independent non-executive Directors reviewed the terms of the continuing connected transactions entered into by the Group during the year ended 31 December 2015 to ensure that the terms of such transactions were in the best interests of the Company and the Shareholders as a whole.

The Company's external auditor, Messrs. KPMG, reviewed the continuing connected transactions entered into by the Group during the year ended 31 December 2015 and provided a letter to the Board confirming (i) the matters set out in Rule 14A.56 of the Listing Rules; and (ii) that the amounts for the relevant continuing connected transactions have not exceeded the relevant proposed annual caps.

Details of the continuing connected transactions entered into by the Group during the year ended 31 December 2015 are set out on pages 18 to 19 of this annual report.



# Corporate Governance Report

## INVESTOR AND SHAREHOLDERS RELATIONS

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

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

## SHAREHOLDERS' RIGHTS

Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's principal place of business in Hong Kong at Unit 1109, 11/F., Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong, for the attention of the Board.

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

The Board shall, on the requisition in writing of the Shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an EGM. The written request, stating the objects of the EGM and signed by the Shareholders concerned, should be deposited at the Company's principal place of business in Hong Kong at Unit 1109, 11/F., Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong, for the attention of the Board. If within twenty-one days of such deposit the Board fails to proceed to convene the EGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a EGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

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

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

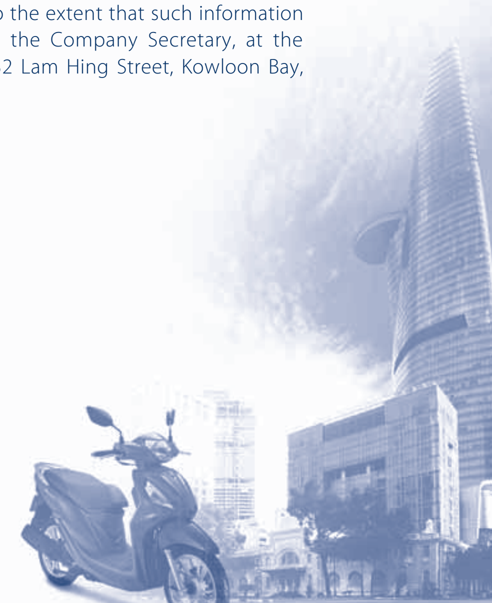
Pursuant to Article 88 of the Company's Articles of Association, no person other than a retiring director shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting, unless a Shareholder shall have given a notice in writing of the intention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

### (c) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and potential investors of the Company may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary, at the Company's principal place of business in Hong Kong at Unit 1109, 11/F., Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong.

## CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.



# Directors and Senior Management Profile

The following sets out the profile of the directors of the Company and senior management of the Group as at 31 December 2015.

## DIRECTORS

### Executive Directors

**Mr. Liu Wu Hsiung (劉武雄)**, aged 51, was appointed as an executive Director and the chairman of the Company on 16 May 2015, he was also appointed a member of the Remuneration Committee on 20 July 2015. Mr. Liu was a non-executive Director of the Company from November 2007 to January 2012. Mr. Liu joined the Group in 1996 and worked from 1996 to 1999 in the sales department of Vietnam Manufacturing and Export Processing Company Limited ("VMEP"), a major subsidiary of the Company. Prior to joining the Group, Mr. Liu had also worked in various departments of Sanyang Motor Co., Ltd. ("Sanyang", together with its subsidiaries, the "Sanyang Group"), the ultimate holding company of the Company, including strategic planning and overseas market management from 1988 onwards, he became the vice general director of the overseas business division of Sanyang from 2006 to 2009, and the general manager of Sanyang Motor Vietnam Co., Ltd. from 2009 to May 2015. In addition, he has also been a director of various subsidiaries of Sanyang. Mr. Liu has over 25 years of experience in the motor vehicle industry which he has acquired through his work experience and leadership role at the Group and Sanyang. Mr. Liu graduated from Feng Chia University in Taiwan with a bachelor's degree in international trade in 1986, and has also obtained a master's degree in business administration from the National Cheng Chi University in Taiwan in 2005.

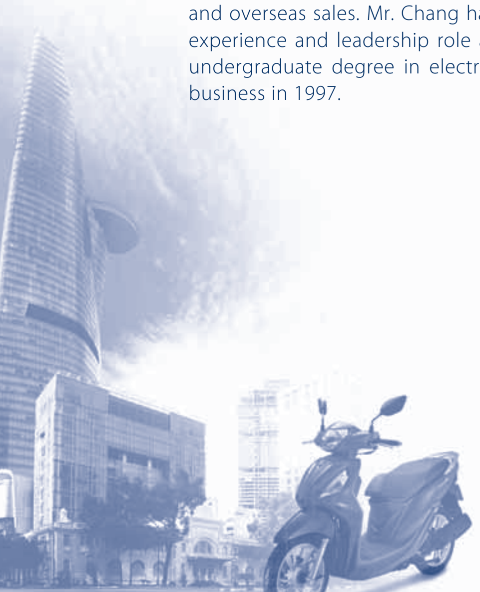
**Mr. Lu Tien Fu (呂天福)**, aged 49, was appointed as an executive Director in October 2014 and the chief executive officer of the Company in July 2015. Mr. Lu first joined the Group in 1998 up to 2006 and worked in the product development and purchasing development departments of VMEP. He was an assistant vice president in the research development and purchase division of VMEP from 2009 and 2011 until he re-joined Sanyang Group. Mr. Lu joined Sanyang Group from 2006 to 2009 and 2011 to 2014 and worked in the design office, product development department and motor product division respectively. Mr. Lu has over 20 years of experience in the motor vehicle industry which he has acquired through his work experience and leadership role at the Group and Sanyang Group. He graduated from the National Taipei University of Technology, Taiwan with an associate degree of mechanical engineering in 1988.

**Ms. Wu Li Chu (吳麗珠)**, aged 50, was appointed as an executive Director on 11 August 2015. Ms. Wu was also appointed as the chairman of four subsidiaries of the Group on 16 May 2015, namely VMEP, Vietnam Casting Forge Precision Limited ("VCFP"), Duc Phat Molds Inc. ("Duc Phat") and Chin Zong Trading Company Limited ("Chin Zong"). She is currently the chairman of Shih Meng Construction Co., Ltd., Bao Ding Industry Co., Ltd., Cian Jing Investment Ltd., Cyun Jyu Cing Construction Ltd., and director of Jhen Ding Construction Co., Ltd., and supervisor of Chuang Fu Construction Co., Ltd. She has also worked as the finance manager at Jiou Ding Construction Co., Ltd., and finance and administration officer at Ying Cheng Construction Co., Ltd. Ms. Wu has over 25 years of experience in finance, administration and management by holding various positions in companies in the construction and manufacturing industry in Taiwan.

### Non-executive Directors

**Mr. CHIU Ying Feng (邱穎峰)**, aged 55, was appointed as a non-executive Director in January 2012. Mr. Chiu has joined Sanyang Group since July 1987 and he is currently the deputy vice president of the research and development division of Sanyang. He was mainly responsible for product research and development and has served as a senior officer or manager in the research and developments, and product planning divisions of Sanyang. Mr. Chiu has over 30 years of experience in the motor vehicle industry which was acquired through his work experience at Sanyang Group. He graduated from National Taiwan University with a bachelor's degree in mechanical engineering in 1987.

**Mr. Chang Yung Chieh (張永杰)**, aged 59, was appointed as a non-executive Director in September 2014. He is the general manager of Sanyang and a director of a few subsidiaries of Sanyang. Mr. Chang joined Sanyang Group in 1979 and had worked in various departments of Sanyang Group including design management, engineering, electrical control technology, resources management and overseas sales. Mr. Chang has over 35 years of experience in the motor vehicle industry which he has acquired through his work experience and leadership role at Sanyang Group. He graduated from the National Taipei University of Technology, Taiwan with an undergraduate degree in electrical engineering in 1977 and the National Taiwan University with a master degree in international business in 1997.



# Directors and Senior Management Profile

**Independent non-executive Directors**

**Ms. LIN Ching Ching (林青青)**, aged 51, was appointed as an independent non-executive Director in November 2007. Ms. Lin is the chairman of the Audit Committee and the Remuneration Committee. Ms. Lin has over 25 years of experience in the finance industry and has held senior financial management positions in various companies, including Deloitte & Touche, Corporate Finance Co., Ltd. and Citibank, N.A., Taipei. She graduated from Eastern Michigan University with a master's degree in business administration in 1991 and graduated from Fu Jen Catholic University in Taiwan with a bachelor's degree in accounting in 1987.

**Mr. SHEN Hwa Rong (沈華榮)**, aged 66, was appointed as our independent non-executive director and a member of the Audit Committee in August 2011. Mr. Shen is currently the president of Environmental Management Accounting Network-Taiwan and a director of China Productivity Center Foundation in Taiwan. Mr. Shen has over 35 years of teaching and working experience with different universities, governmental and commercial sector. He graduated from the Shoochow University in Taiwan with a bachelor's degree in business administration in 1972, He also obtained a master's degree in business administration from the University of Central Oklahoma in the United States in 1980 and a doctorate degree in business administration from the National Chiao Tung University in Taiwan In 1992.

**Ms. WU Kwei Mei (吳貴美)**, aged 72, was appointed as an independent non-executive Director in August 2013, and she is also a member of the Remuneration Committee and the Audit Committee. Prior to joining the Group, Ms. Wu worked in the Department of Mathematics at the National Taiwan University as an associate professor and an instructor from 1972 to 2009. She received a bachelor's degree in Mathematics from the National Taiwan University in 1965 and a master's degree in Mathematics from the University of New Orleans in the United States in 1967.

## SENIOR MANAGEMENT

**Mr. LIN Chun Yu (林俊宇)**, aged 41, is the chief financial officer of the Company and the finance manager of various subsidiaries of the Group, including VMEP, VCFP and Duc Phat. Mr. Lin joined the Group in June 2015 and has about 20 years of experience in the audit and finance area. He graduated from Fu Jen Catholic University in Taiwan with a bachelor's degree in accounting in 1997.

**Mr. LEE Tao Huang (李道煌)**, aged 51, is the head of the domestic and overseas marketing division of VMEP, and a director and general director of Chin Zong. Mr. Lee joined the Group in 2007 and has over 25 years of experience in the marketing and sale of motorbikes. He graduated from Soochow University in Taiwan with a bachelor's degree in mathematics in 1986.

**Mr. WU Chuan Te (吳權特)**, aged 53, is the head of the production division of VMEP and also a director of Duc Phat and VCFP. Mr. Wu joined the Group in 2014 and has over 30 years of experience in the motorbike industry. He obtained an associate degree in industrial engineering and management from Minghsin University of Science and Technology in Taiwan in 2004.

**Mr. CHIANG Ping Hui (江炳輝)**, aged 48, is the deputy vice president of service and spare parts department, domestic marketing division of VMEP. Mr. Chiang joined the Group in 1995 and has over 20 years of experience in the motorbike industry. He graduated from the Tamshui Institute of Business Administration in Taiwan with a bachelor's degree in international trade in 1990.

**Mr. TSENG Kuo Lung (曾國龍)**, aged 52, is the VMEP deputy vice president of domestic marketing division of VMEP. Mr. Tseng joined the Group in July 2015 and has over 20 years of experience in the marketing and sale of motorbikes. He graduated from Fu Hsin Trade & Arts School in Taiwan in 1982.

**Mr. TSAI Yu Tsai (蔡有財)**, age 58, is a director and general director of Duc Phat. Mr. Tsai joined the Group in 1999 and has over 35 years of experience in the production of motorbikes. He graduated from the Kai Nan High School of Commerce and Industry in Taiwan with a degree in mechanical engineering in 1973.

**Mr. CHEN Chien Hsiang (陳建祥)**, aged 54, is a director and general director of VCFP. Mr. Chen joined the Group in 2007 and has over 25 years of experience in the production of motorbikes. He graduated from the National Taipei University of Technology with a bachelor's degree in mining and metallurgy in 1981.

**Mr. CHAN Chi Shing (陳志成)**, aged 55, is the company secretary of the Company. Mr. Chan joined the Group in 2007 and has over 25 years of experience in the fields of audit and accounting. He obtained a Higher Certificate in Accountancy from the Hong Kong Polytechnic University in 1987 and is a member of the Hong Kong Institute of Certified Public Accountants.

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

# Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2015.

## DIRECTORS

The Directors during the year were:

**Executive Directors**

Mr. Liu Wu Hsiung *(Chairman)* (appointed on 16 May 2015)
Mr. Lu Tien Fu *(Chief Executive Officer)*
Ms. Wu Li Chu (appointed on 11 August 2015)
Mr. Chou Ken Yuan (resigned on 15 May 2015)
Mr. Yu Wen Lung (resigned on 13 July 2015)
Mr. Chen Pang Hsiung (resigned on 20 July 2015)

**Non-executive Directors:**

Mr. Chiu Ying Feng
Mr. Chang Yung Chieh

**Independent Non-executive Directors:**

Ms. Lin Ching Ching
Mr. Shen Hwa Rong
Ms. Wu Kwei Mei

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Details of the principal activities of the subsidiaries of the Company are manufacturing and sale of motorbikes, related spare parts and engines and provision of motorbike maintenance services. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 7 of this annual report. This discussion forms part of this directors' report.

## RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2015 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 22 to 68 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

## FINANCIAL SUMMARY

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

## PROPERTY, PLANT AND EQUIPMENT

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

## BANK LOANS

Details of bank loans are set out in note 20 to the financial statements.

## SHARE CAPITAL

Details of movements in the Group's share capital during the year are set out in note 23 to the financial statements.

## PRE-EMPTIVE RIGHTS

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

# Directors' Report

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and suppliers of the Group during the year ended 31 December 2015 contributed to less than 30% of the total operating revenues and purchases, respectively, of the Group during the year.

None of the Directors or any of their associates or any Shareholder (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers and five largest suppliers.

## RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

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

We are committed to offer a wide range of motorbikes models and motorbike engines and parts to our customers. We have also been aiming to provide quality services to our clients in order to maintain continuous relationship. We stay connected with our customers. We maintain communications with our customers through various channels like the Company's website, telephone, direct mail and marketing materials.

## RELATIONSHIP WITH EMPLOYEES

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

## RETIREMENT OF DIRECTORS

Pursuant to article 87 of the articles of association of the Company, one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

## DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

## DIRECTORS' SERVICE CONTRACTS

None of the Directors have entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The Directors' remuneration is determined by the Board with reference to the pay scale applicable to directors of listed companies. Details of the Directors' remuneration are set out in note 8 to the financial statements.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the connected transactions and the related party transactions during the financial year ended 31 December 2015 are set out on page 18 and page 19 of this annual report respectively. Save as disclosed in this report, none of the Directors or any entity connected with the Directors or controlling shareholders of the Company or its subsidiaries had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies, was a party, which subsisted at the end of the year or at any time during the year.

# Directors' Report

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

## SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company passed on 24 November 2007, the Board, at its discretion, may grant share options to any directors, executives, employees and any other persons who have contributed or will contribute to the Group.

The Board has not granted or cancelled any share options under the share option scheme during the year ended 31 December 2015 and no share options was outstanding as at 31 December 2015.

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN UNDERLYING SHARES

As at 31 December 2015, none of the Company's Directors, chief executive and their associates (including their spouse and children under 18 years of age) had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as the Directors are aware, as at 31 December 2015, the following persons (who are not Directors and chief executive of the Company) had interests or short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of substantial shareholder | Nature of interest | Number and class of securities | Approximate percentage of interest in the Company's total issued share capital |
|---|---|---|---|
| SY International Ltd ("SYI") *(Note)* | Beneficial owner | 608,318,000 Shares | 67.02% |
| Sanyang Motor Co., Ltd. ("Sanyang") *(Note)* | Interest in a controlled corporation | 608,318,000 Shares | 67.02% |

*Note:* SYI is a direct wholly-owned subsidiary of Sanyang and therefore, Sanyang is deemed to be interested in the Shares held by SYI under Part XV of the SFO.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

## CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions with Sanyang (an indirect substantial shareholder of the Company) and the Sanyang Group:

1. Purchase of motorbike parts by the Group from members of the Sanyang Group, including Sanyang, Sanyang Global Co., Ltd., Hanoi Full Ta Precision Company Limited, Vietnam Three Brothers Machinery Industry Company Limited, Quingzhou Engineering Industry Co., Ltd. and Xia Shing Xiamen Motorcycle Co., Ltd., pursuant to a master purchase agreement dated 9 November 2012 entered into between the Company and Sanyang. The total purchase amount under such purchase agreement for the year ended 31 December 2015 was US$10,711,570 (2014: US$18,721,161).

# Directors' Report

2. The engagement of the Company as the exclusive distributor of motorbikes and related parts manufactured by Sanyang Group in all of the member countries of the Association of South East Asian Nations (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes) pursuant to a distributorship agreement dated 9 November 2012 entered into between the Company and Sanyang. The total purchase amount of motorbikes and related parts by the Group from Sanyang Group pursuant to such distributorship agreement for the year ended 31 December 2015 was US$5,529,563 (2014: US$7,728,284).

3. Licensing of technology, know-how, trade secrets and production information by Sanyang to Vietnam Manufacturing and Export Processing Co., Limited ("VMEP"), a subsidiary of the Group, pursuant to a technology licence agreement dated 26 November 2007 entered into between VMEP and Sanyang. The total license fee paid under such technology licence agreement for the year ended 31 December 2015 was US$2,880,912 (2014: US$4,157,291).

4. Provision of research and development and technical support services by Sanyang Group to the Group pursuant to a research and development and technical support services agreement dated 9 November 2012 and entered into between the Company and Sanyang. The total fee paid under such research and development and technical support services agreement for the year ended 31 December 2015 was US$1,671,894 (2014: US$1,444,071).

5. Purchase of production machinery, moulds and equipment by the Group from Sanyang Group pursuant to a purchase agreement dated 9 November 2012 entered into between the Company and Sanyang. The total purchase amount under such purchase agreement for the year ended 31 December 2015 was US$539,621 (2014: US$1,094,187).

6. Sale of motorbike parts by the Group to Sanyang Group pursuant to a sales agreement dated 9 November 2012 and entered into between the Company and Sanyang. The total sales amount under such sales agreement for the year ended 31 December 2015 was US$413,894 (2014: US$560,686).

For the financial year ended 31 December 2015, the actual transaction amount for each of the abovementioned continuing connected transactions has not exceeded the respective annual cap of the relevant transactions as approved by the Board or the independent Shareholders (as the case may be).

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditors of the Company to perform certain procedures in respect of the above continuing connected transactions.

The auditors of the Company have performed procedures in respect of the continuing connected transactions in accordance with the Hong Kong Standards On Assurance Engagements 3000 (Revised) "Assurance engagements other than audits or review of historical financial information" and with reference to Practice Note 740 "Auditor's letter on continuing connected transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

(a) in the ordinary and usual course of business of the Group;
(b) on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors have issued their report containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the annual report in accordance with Rule 14A.56 of the Listing Rules.

Save as disclosed above, none of the related party transactions as disclosed in note 26 to the consolidated financial statements of the Group falls under the definition of connected transaction or constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on information publicly available to the Company, the Company has maintained a public float of not less than 25% of the issued capital of the Company as required by the Listing Rules.

## INDEMNITY OF DIRECTORS

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

# Directors' Report

## MANAGEMENT CONTRACTS

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2015, the Group had no material acquisition or disposal of subsidiaries and associated companies. As at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group. Through the enhancement of management measures and technology improvement, the Group incurred less unit electricity consumption and expenses in production as compared to that of last year. The Group has also complied with all the relevant laws and regulations that have a significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment.

## AUDITOR

KPMG reitre and, being eligible, offer themselves for re-appointment. A resolution for re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
**Liu Wu Hsiung**
*Chairman*

Hong Kong, 24 March 2016

# Independent Auditor's Report

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

We have audited the consolidated financial statements of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 22 to 68, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**KPMG**
*Certified Public Accountants*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 December 2015*
*(Expressed in United States dollars)*

| | Notes | 2015 US$ | 2014 US$ |
|---|---|---|---|
| Revenue | 4 | **125,675,328** | 177,510,150 |
| Cost of sales | | **(116,591,874)** | (165,615,205) |
| **Gross profit** | | **9,083,454** | 11,894,945 |
| Other income | 5 | **511,340** | 500,422 |
| Distribution costs | | **(7,173,483)** | (11,526,877) |
| Technology transfer fees | 26(a)(iv) | **(2,880,912)** | (4,157,291) |
| Administrative expenses | | **(10,330,238)** | (12,017,270) |
| Other expenses | | **(225,075)** | (234,177) |
| **Results from operating activities** | | **(11,014,914)** | (15,540,248) |
| Finance income | | **4,989,337** | 6,093,589 |
| Finance costs | | **(1,797,981)** | (844,008) |
| **Net finance income** | 6(a) | **3,191,356** | 5,249,581 |
| Share of profit of an associate | 14 | **60,333** | 73,750 |
| **Loss before taxation** | 6 | **(7,763,225)** | (10,216,917) |
| Income tax | 7(a) | **(261,536)** | (165,220) |
| **Loss for the year** | | **(8,024,761)** | (10,382,137) |
| **Other comprehensive income for the year (after tax):** | | | |
| Item that may be reclassified subsequently: | | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | | **(5,074,094)** | (1,295,996) |
| **Total comprehensive income for the year attributable to equity shareholders of the Company** | | **(13,098,855)** | (11,678,133) |
| **Loss per share** | | | |
| – basic and diluted | 10 | **(0.009)** | (0.011) |

The notes on pages 26 to 68 form part of these financial statements.

# Consolidated Statement of Financial Position

*At 31 December 2015*
*(Expressed in United States dollars)*

| | Notes | 2015 US$ | 2014 US$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **18,259,022** | 22,933,355 |
| Intangible assets | 12 | **79,668** | 215,493 |
| Lease prepayments | 13 | **5,114,868** | 5,614,457 |
| Interest in an associate | 14 | **577,189** | 641,654 |
| Deferred tax assets | 21(b) | **774,244** | 909,691 |
| | | **24,804,991** | 30,314,650 |
| **Current assets** | | | |
| Inventories | 15 | **20,649,546** | 30,093,845 |
| Trade receivables, other receivables and prepayments | 16 | **29,341,932** | 33,559,317 |
| Time deposits maturing after three months | 17 | **81,550,559** | 102,170,248 |
| Cash and cash equivalents | 18 | **20,988,920** | 15,985,869 |
| | | **152,530,957** | 181,809,279 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **15,355,074** | 23,970,608 |
| Bank loans | 20 | **24,558,291** | 37,339,313 |
| Current tax payable | 21(a) | **53,847** | 65,198 |
| Provisions | 22 | **1,018,653** | 1,307,458 |
| | | **40,985,865** | 62,682,577 |
| **Net current assets** | | **111,545,092** | 119,126,702 |
| **Total assets less current liabilities** | | **136,350,083** | 149,441,352 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 21(b) | **58,766** | 51,180 |
| **Net assets** | | **136,291,317** | 149,390,172 |
| **Capital and reserves** | | | |
| Share capital | 23(b) | **1,162,872** | 1,162,872 |
| Reserves | | **135,128,445** | 148,227,300 |
| **Total equity attributable to equity shareholders of the Company** | | **136,291,317** | 149,390,172 |

Approved and authorised for issue by the Board of Directors on 24 March 2016.

**Liu, Wu-Hsiung**
*Director*

**Lu, Tien-Fu**
*Director*

The notes on pages 26 to 68 form part of these financial statements.

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2015*
*(Expressed in United States dollars)*

| | Attributable to equity shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** *US$* | **Share premium** *US$* | **Capital reserve** *US$* | **Exchange reserve** *US$* | **Statutory reserves** *US$* | **Retained profits** *US$* | **Total** *US$* |
| **Balance at 1 January 2014** | 1,162,872 | 112,198,709 | 1,962,666 | (26,837,870) | 99,824 | 72,482,104 | 161,068,305 |
| **Changes in equity for 2014:** | | | | | | | |
| Loss for the year | – | – | – | – | – | (10,382,137) | (10,382,137) |
| Other comprehensive income | – | – | – | (1,295,996) | – | – | (1,295,996) |
| Total comprehensive income | – | – | – | (1,295,996) | – | (10,382,137) | (11,678,133) |
| Appropriation to reserves | – | – | – | – | 54,429 | (54,429) | – |
| **Balance at 31 December 2014 and 1 January 2015** | 1,162,872 | 112,198,709 | 1,962,666 | (28,133,866) | 154,253 | 62,045,538 | 149,390,172 |
| **Changes in equity for 2015:** | | | | | | | |
| Loss for the year | – | – | – | – | – | (8,024,761) | (8,024,761) |
| Other comprehensive income | – | – | – | (5,074,094) | – | – | (5,074,094) |
| Total comprehensive income | – | – | – | (5,074,094) | – | (8,024,761) | (13,098,855) |
| Appropriation to reserves | – | – | – | – | 48,603 | (48,603) | – |
| **Balance at 31 December 2015** | 1,162,872 | 112,198,709 | 1,962,666 | (33,207,960) | 202,856 | 53,972,174 | 136,291,317 |

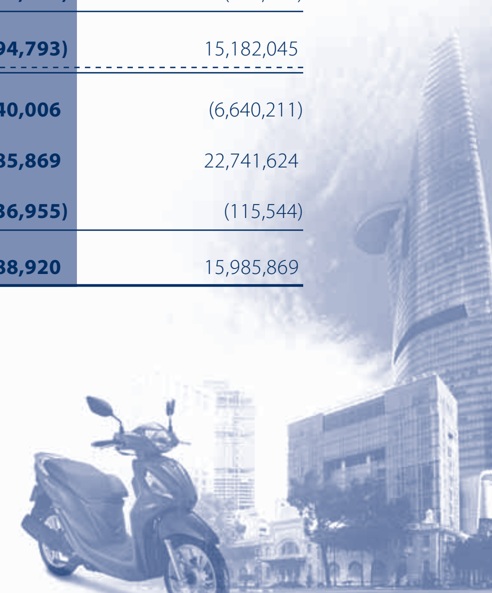
The notes on pages 26 to 68 form part of these financial statements.

# Consolidated Cash Flow Statement

*For the year ended 31 December 2015*
*(Expressed in United States dollars)*

| | Notes | **2015** **US$** | 2014 US$ |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before taxation | | **(7,763,225)** | (10,216,917) |
| Adjustments for: | | | |
| Depreciation | 6(c) | **4,521,247** | 5,666,063 |
| Amortisation | 6(c) | **359,400** | 525,220 |
| Loss on redemption of investment | | **–** | 106,994 |
| Interest income | 6(a) | **(4,989,337)** | (5,915,786) |
| Interest expenses | 6(a) | **984,232** | 844,008 |
| Share of profit of an associate | | **(60,333)** | (73,750) |
| Impairment losses on property, plant and equipment | 6(c) | **1,494,806** | – |
| Net loss/(gain) on disposal and write off of property, plant and equipment | 6(c) | **138,110** | (163,554) |
| Foreign exchange gain | | **(4,484,697)** | (815,570) |
| Changes in working capital: | | | |
| Decrease in inventories | | **9,444,299** | 1,952,641 |
| Decrease/(increase) in trade receivables, other receivables and prepayments | | **3,282,801** | (5,614,570) |
| Decrease in trade and other payables | | **(8,615,534)** | (2,462,187) |
| Decrease in provisions | | **(288,805)** | (206,119) |
| Cash used in operations | | **(5,977,036)** | (16,373,527) |
| Income tax paid | | **(174,104)** | (236,891) |
| **Net cash used in operating activities** | | **(6,151,140)** | (16,610,418) |
| **Investing activities** | | | |
| Interest received | | **6,129,796** | 5,666,226 |
| Proceeds from disposal of property, plant and equipment | | **14,292** | 211,609 |
| Proceeds from redemption of investment | | **–** | 3,000,000 |
| Payment for purchase of property, plant and equipment, intangible assets and lease prepayments | | **(2,772,148)** | (3,603,669) |
| Decrease/(increase) in time deposits maturing after three months | | **20,619,689** | (10,532,901) |
| Dividends received from an associate | | **94,310** | 46,897 |
| **Net cash generated from/(used in) investing activities** | | **24,085,939** | (5,211,838) |
| **Financing activities** | | | |
| Proceeds from borrowings | | **60,759,237** | 113,150,324 |
| Repayment of borrowings | | **(72,069,798)** | (97,124,271) |
| Interest paid | | **(984,232)** | (844,008) |
| **Net cash (used in)/generated from financing activities** | | **(12,294,793)** | 15,182,045 |
| **Net increase/(decrease) in cash and cash equivalents** | | **5,640,006** | (6,640,211) |
| **Cash and cash equivalents at 1 January** | 18 | **15,985,869** | 22,741,624 |
| **Effect of foreign exchange rate changes** | | **(636,955)** | (115,544) |
| **Cash and cash equivalents at 31 December** | 18 | **20,988,920** | 15,985,869 |

The notes on pages 26 to 68 form part of these financial statements.



# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 1 REPORTING ENTITY

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with 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. A summary of the significant accounting policies adopted by the Group is set out below.

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 and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current 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 2015 comprise the Company and its subsidiaries (together referred to as 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 as its presentation currency as the directors of the Company consider that presentation of the consolidated financial statements in United States dollars will facilitate analysis of the Group's financial information.

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

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

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

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– *Annual Improvements to IFRSs 2010-2012 Cycle*

– *Annual Improvements to IFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below.

#### *Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle*

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

### (d) Subsidiaries

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

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

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

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

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

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post acquisition, post-tax items of the investees' other comprehensive income are recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

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

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

### (f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)):

– buildings held for own use which are situated on leasehold land classified as held under operating lease (see Note 2(i)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)).

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

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Property, plant and equipment (Continued)

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

| | | |
|---|---|---|
| – | Buildings | 8-30 years |
| – | Machinery, moulds and equipment | 2-16 years |
| – | Office equipment, furniture and fittings | 4-10 years |
| – | Electrical, water and utility systems | 5-10 years |
| – | Motor vehicles | 5-7 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(u)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Software with finite useful lives are amortised from the date they are available for use and over their estimated useful lives of 3 years.

Both the period and method of amortisation are reviewed annually.

### (h) Lease prepayments

Lease prepayments represent prepaid land lease rentals and related costs. Lease prepayments are carried at cost less amortisation and impairment losses (see Note 2(j)). Amortisation is charged to profit or loss on a straight-line basis over the lease period of 10-50 years.

### (i) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment of assets

#### *(i) Impairment of investments in equity securities and other receivables*

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of investments in equity instruments below their costs.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates accounted for under equity method in the consolidated financial statements (see Note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(j)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amount held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment of assets (Continued)

#### *(ii) Impairment of other assets*

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

– property, plant and equipment;

– intangible assets;

– lease prepayments; and

– investments in subsidiaries in the Company's statement of financial position.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

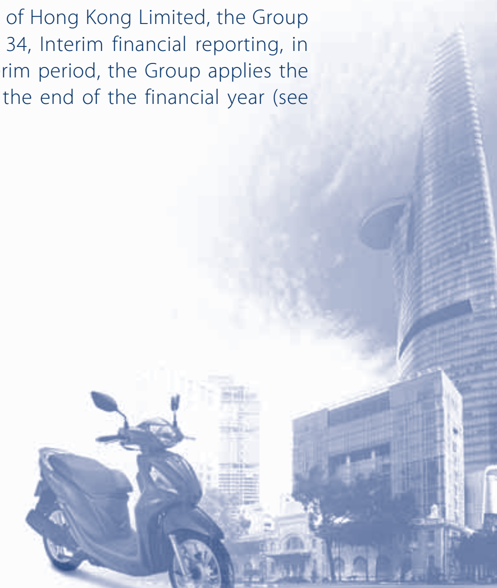
– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determining the recoverable amount.

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

#### *(iii) Interim financial reporting and impairment*

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



# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Inventories

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

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

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

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

### (l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

### (m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (n) Trade and other payables

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

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Employee benefits

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

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

#### *(ii) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

#### *(iii) Termination benefits*

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

### (q) Income tax

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

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

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

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

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Income tax (Continued)

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

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

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

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

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

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

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

– the same taxable entity; or

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

### (r) Provisions and contingent liabilities

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

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

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

#### *(i) Sales of goods*

Revenue is recognised when goods are delivered at the customers' premises or picked up by customers or when goods are shipped on board/arrived the designated port, which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

#### *(ii) Rendering of services*

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

#### *(iii) Dividend income*

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

#### *(iv) Interest income*

Interest income is recognised as it accrues using the effective interest method.

### (t) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

### (u) Borrowing costs

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

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

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

### (w) Segment reporting

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

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

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 24 contains information about the assumptions and their risk factors relating to valuation of financial instruments. Other key sources of estimation uncertainty are as follows:

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

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

### (b) Impairment losses on trade receivables

Impairment losses on trade receivables are assessed and recognised based on the directors' regular review of the aging analysis and past collection history of each individual customer. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and collectability of each receivable. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the Group's profit or loss in future years.

### (c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group reviews annually the useful life of the assets and their residual value, if any. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

### (d) Net realisable value of inventories

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

### (e) Income taxes

Determining income tax provisions involves judgement regarding the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses and temporary deductible differences. As deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised, management's judgement is required to assess the probability of future taxable profits. At the end of each reporting period, management reassesses the probability of future taxable profits to determine the amount of deferred tax assets to be recognised.

### (f) Provision for warranties

The Group makes provisions under the warranties for the motorbikes and other products sold taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. The provision will be adjusted if there are significant changes in the estimates of future claims.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

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

Revenue represents the sales value of motorbikes, spare parts and engines supplied to customers, and revenue from moulds and repair services. The amount of each significant category of revenue recognised during the year is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Sales of motorbikes | **103,103,364** | 149,966,313 |
| Sales of spare parts and engines | **22,510,704** | 27,441,707 |
| Revenue from moulds and repair services | **61,260** | 102,130 |
| | **125,675,328** | 177,510,150 |

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed below:

### (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, Brunei and Singapore.

– 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.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

#### *(i) Segment results, assets and liabilities*

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, deferred tax assets, time deposits maturing after three months, cash and cash equivalents and other corporate assets. Segment liabilities include provisions, trade and other payables attributable to the manufacturing and sales activities of the individual segments with the exception of interest-bearing borrowings, current tax payable, deferred tax liabilities and other corporate liabilities.

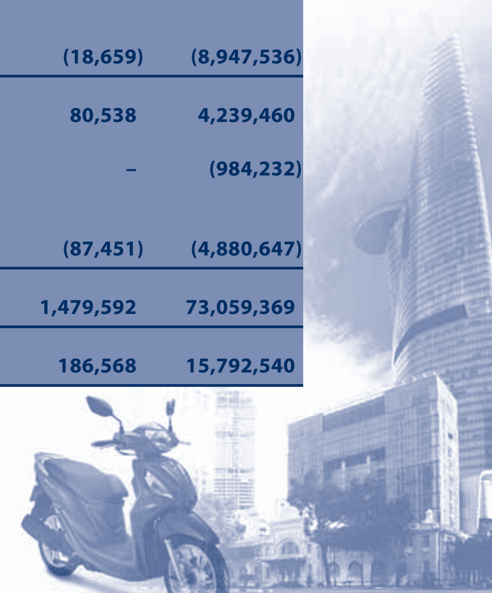
Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as net finance income. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profit of an associate 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), interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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 2015 and 2014 is set out below.

| | Year ended 31 December 2015 | | | |
|---|---|---|---|---|
| | Manufacturing and sale of motorbikes *US$* | Manufacturing and sale of spare parts and engines *US$* | Moulds and repair services *US$* | Total *US$* |
| Revenue from external customers | 103,103,364 | 22,510,704 | 61,260 | 125,675,328 |
| Inter-segment revenue | – | 38,810,864 | 921,834 | 39,732,698 |
| **Reportable segment revenue** | **103,103,364** | **61,321,568** | **983,094** | **165,408,026** |
| **Reportable segment (loss)/profit ("adjusted EBIT")** | **(7,472,190)** | **(1,456,687)** | **(18,659)** | **(8,947,536)** |
| Interest income | 2,253,684 | 1,905,238 | 80,538 | 4,239,460 |
| Interest expenses | (647,350) | (336,882) | – | (984,232) |
| Depreciation and amortisation for the year | (2,825,317) | (1,967,879) | (87,451) | (4,880,647) |
| **Reportable segment assets** | **47,252,138** | **24,327,639** | **1,479,592** | **73,059,369** |
| **Reportable segment liabilities** | **1,944,033** | **13,661,939** | **186,568** | **15,792,540** |



# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

#### *(i) Segment results, assets and liabilities (Continued)*

| | Year ended 31 December 2014 | | | |
|---|---|---|---|---|
| | Manufacturing and sale of motorbikes *US$* | Manufacturing and sale of spare parts and engines *US$* | Moulds and repair services *US$* | Total *US$* |
| Revenue from external customers | 149,966,313 | 27,441,707 | 102,130 | 177,510,150 |
| Inter-segment revenue | – | 57,671,573 | 1,352,258 | 59,023,831 |
| **Reportable segment revenue** | 149,966,313 | 85,113,280 | 1,454,388 | 236,533,981 |
| **Reportable segment (loss)/profit (“adjusted EBIT”)** | (9,681,416) | (3,534,646) | 70,082 | (13,145,980) |
| Interest income | 4,440,028 | 619,762 | 106,883 | 5,166,673 |
| Interest expenses | (736,730) | (104,657) | (2,621) | (844,008) |
| Depreciation and amortisation for the year | (4,774,207) | (1,330,243) | (86,833) | (6,191,283) |
| **Reportable segment assets** | 58,779,031 | 33,877,735 | 1,289,833 | 93,946,599 |
| **Reportable segment liabilities** | 9,626,922 | 17,859,251 | 147,887 | 27,634,060 |

#### *(ii) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities*

| | **2015** ***US$*** | 2014 *US$* |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue | **165,408,026** | 236,533,981 |
| Elimination of inter-segment revenue | **(39,732,698)** | (59,023,831) |
| Consolidated revenue *(Note 4(a))* | **125,675,328** | 177,510,150 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

#### *(ii) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (Continued)*

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| **Loss** | | |
| Reportable segment loss | **(8,947,536)** | (13,145,980) |
| Elimination of inter-segment profits | **–** | – |
| Reportable segment loss derived from Group's external customers | **(8,947,536)** | (13,145,980) |
| Share of profit of an associate | **60,333** | 73,750 |
| Net finance income | **3,191,356** | 5,249,581 |
| Unallocated corporate expenses | **(2,067,378)** | (2,394,268) |
| Consolidated loss before taxation | **(7,763,225)** | (10,216,917) |

| | **At 31 December 2015** | At 31 December 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| **Assets** | | |
| Reportable segment assets | **73,059,369** | 93,946,599 |
| Elimination of inter-segment receivables | **–** | (2,719,952) |
| | **73,059,369** | 91,226,647 |
| Interest in an associate | **577,189** | 641,654 |
| Time deposits maturing after three months | **81,550,559** | 102,170,248 |
| Deferred tax assets | **774,244** | 909,691 |
| Cash and cash equivalents | **20,988,920** | 15,985,869 |
| Unallocated corporate assets | **385,667** | 1,189,820 |
| Consolidated total assets | **177,335,948** | 212,123,929 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 4 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

#### *(ii) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (Continued)*

| | **At 31 December 2015 US$** | At 31 December 2014 US$ |
|---|---|---|
| **Liabilities** | | |
| Reportable segment liabilities | **15,792,540** | 27,634,060 |
| Elimination of inter-segment payables | **–** | (2,833,302) |
| | **15,792,540** | 24,800,758 |
| Bank loans | **24,558,291** | 37,339,313 |
| Current tax payable | **53,847** | 65,198 |
| Deferred tax liabilities | **58,766** | 51,180 |
| Unallocated corporate liabilities | **581,187** | 477,308 |
| Consolidated total liabilities | **41,044,631** | 62,733,757 |

#### *(iii) 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 property, plant and equipment, intangible assets and lease prepayments ("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 asset.

| | **Revenues from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2015 US$** | 2014 US$ | **2015 US$** | 2014 US$ |
| Vietnam (place of domicile) | **59,235,129** | 80,155,614 | **23,452,095** | 28,761,964 |
| Malaysia | **37,336,101** | 66,951,799 | **–** | – |
| The Philippines | **27,415,668** | 27,426,387 | **–** | – |
| Singapore | **595,534** | 853,240 | **–** | – |
| Indonesia | **693,626** | 375,741 | **–** | – |
| Thailand | **286,879** | 946,390 | **–** | – |
| Other countries* | **112,391** | 800,979 | **1,463** | 1,341 |
| | **125,675,328** | 177,510,150 | **23,453,558** | 28,763,305 |

* *Other countries mainly consist of Myanmar, Brunei and Taiwan.*

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 5 OTHER INCOME

| | **2015** **US$** | 2014 *US$* |
|---|---|---|
| Gain on disposal of property, plant and equipment | **14,293** | 168,118 |
| Sales of scraps | **99,111** | 271,365 |
| Others | **397,936** | 60,939 |
| | **511,340** | 500,422 |

## 6 LOSS BEFORE TAXATION

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

### (a) Net finance income

| | | |
|---|---|---|
| Interest income from banks | **4,989,337** | 5,915,786 |
| Net foreign exchange gain | **–** | 177,803 |
| Finance income | **4,989,337** | 6,093,589 |
| Interest paid and payable to banks | **(984,232)** | (844,008) |
| Net foreign exchange loss | **(813,749)** | – |
| Finance costs | **(1,797,981)** | (844,008) |
| | **3,191,356** | 5,249,581 |

### (b) Staff costs

| | **2015** **US$** | 2014 *US$* |
|---|---|---|
| Contributions to defined contribution retirement plans | **911,513** | 977,553 |
| Severance pay allowance *(Note 22)* | **28,096** | 59,814 |
| Salaries, wages and other benefits | **9,787,865** | 11,360,909 |
| | **10,727,474** | 12,398,276 |

***Description of the defined contribution retirement plan***

The Group participates in a defined contribution plan managed by the Vietnam government whereby the Group is required to make contributions to the plan, representing the employer's portion of social and health insurance contributions. The applicable rates of contribution are 15% and 2% of total contractual salaries, respectively. The Group has no obligation for the payment of retirement benefits other than the contributions described above. The Group's contributions vest fully with the employees when contributed into the plan.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 6 LOSS BEFORE TAXATION (Continued)

### (c) Other items

| | **2015** | 2014 |
|---|---:|---:|
| | ***US$*** | *US$* |
| Amortisation of lease prepayments/intangible assets | **359,400** | 525,220 |
| Depreciation of property, plant and equipment | **4,521,247** | 5,666,063 |
| Write-down of inventories *(Note 15)* | **445,738** | 821,859 |
| Impairment losses on property, plant and equipment *(note 11(a))* | **1,494,806** | – |
| Net loss/(gain) on disposal and write off of property, plant and equipment | **138,110** | (163,554) |
| Operating lease charges: minimum lease payments in respect of property rentals | **606,795** | 1,068,176 |
| Auditors' remuneration | **357,596** | 404,276 |
| Research and development expenses (i) | **7,804,437** | 9,823,393 |
| Cost of inventories (ii) *(Note 15)* | **106,587,223** | 140,652,333 |

(i) Research and development expenses include amounts relating to technology transfer fee, staff costs, depreciation and amortisation expenses, rental expense of properties and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses. No development expenditure was capitalised during the year ended 31 December 2015 (2014: US$Nil).

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

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

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

| | **2015** | 2014 |
|---|---:|---:|
| | ***US$*** | *US$* |
| **Current tax** | | |
| Provision for the year | **148,842** | 176,881 |
| Under-provision in respect of prior years | **11,260** | 15,923 |
| | **160,102** | 192,804 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **101,434** | (27,584) |
| | **261,536** | 165,220 |

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 2015 and 2014.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (Continued)

### (a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents (Continued):

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 25%.

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 25% from 2013 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 2010, the applicable tax rate for Chin Zong Trading Co., Ltd. ("Chin Zong") is 17% 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.

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

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Loss before taxation | **(7,763,225)** | (10,216,917) |
| Notional tax on loss before taxation, calculated at the rates applicable to profit or loss in the countries concerned | **(1,392,130)** | (1,839,045) |
| Tax effect of non-deductible expenses | **291,622** | 380,126 |
| Tax effect of non-taxable income | **(100,882)** | (129,457) |
| Tax effect of differences in tax rates and tax holidays of subsidiaries | **(12,266)** | 15,459 |
| Tax effect of unused tax losses not recognised | **1,463,932** | 1,722,214 |
| Under-provision in prior years | **11,260** | 15,923 |
| Actual tax expense | **261,536** | 165,220 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 8 DIRECTORS' REMUNERATION

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

| | **Salaries, allowances and benefits in kind** *US$* | **Discretionary bonuses** *US$* | **Directors' fees** *US$* | **Share-based payments** *US$* | **2015 Total** *US$* |
|---|---|---|---|---|---|
| *Chairmans:* | | | | | |
| Liu, Wu-Hsiung (appointed on 16 May 2015) | 27,415 | – | – | – | 27,415 |
| Chou, Ken-Yuan (resigned on 15 May 2015) | 30,987 | – | – | – | 30,987 |
| *Executive directors:* | | | | | |
| Wu, Li-Chu (appointed on 11 August 2015) | 21,461 | 1,024 | – | – | 22,485 |
| Lu, Tien-Fu | 68,047 | 3,099 | – | – | 71,146 |
| Chen, Pang-Hsiung (resigned on 20 July 2015) | 67,784 | 2,133 | – | – | 69,917 |
| Yu, Wen-Lung (resigned on 13 July 2015) | 30,373 | 1,115 | – | – | 31,488 |
| *Non-executive directors:* | | | | | |
| Chiu, Ying-Feng | – | – | 3,000 | – | 3,000 |
| Chang, Yung-Chieh | – | – | 4,003 | – | 4,003 |
| *Independent non-executive directors:* | | | | | |
| Shen, Hwa-Rong | – | – | 25,000 | – | 25,000 |
| Lin, Ching-Ching | – | – | 25,000 | – | 25,000 |
| Wu, Kwei-Mei | – | – | 25,000 | – | 25,000 |
| | 246,067 | 7,371 | 82,003 | – | 335,441 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 8 DIRECTORS' REMUNERATION (Continued)

| | Salaries, allowances and benefits in kind | Discretionary bonuses | Directors' fees | Share-based payments | 2014 Total |
|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| *Chairmans:* | | | | | |
| Chou, Ken-Yuan | 82,599 | 5,494 | – | – | 88,093 |
| *Executive directors:* | | | | | |
| Wang, Ching-Tung (resigned on 31 August 2014) | 88,123 | 1,442 | – | – | 89,565 |
| Yu, Wen-Lung | 52,165 | 2,198 | – | – | 54,363 |
| Chen, Chung-Long (resigned on 1 October 2014) | 50,871 | 3,207 | – | – | 54,078 |
| Chen, Pang-Hsiung (appointed on 1 September 2014) | 27,888 | 1,971 | – | – | 29,859 |
| Lu, Tien-Fu (appointed on 29 October 2014) | 23,391 | 1,654 | – | – | 25,045 |
| *Non-executive directors:* | | | | | |
| Chiang, Shin-Huang (resigned on 31 August 2014) | – | – | 3,000 | – | 3,000 |
| Chiu, Ying-Feng | – | – | 3,000 | – | 3,000 |
| Chang, Yung-Chieh (appointed on 1 September 2014) | – | – | – | – | – |
| *Independent non-executive directors:* | | | | | |
| Shen, Hwa-Rong | – | – | 25,000 | – | 25,000 |
| Lin, Ching-Ching | – | – | 25,000 | – | 25,000 |
| Wu, Kwei-Mei | – | – | 33,425 | – | 33,425 |
| | 325,037 | 15,966 | 89,425 | – | 430,428 |

The emoluments of each individual director are within the band of HK$Nil to HK$1,000,000 for both 2015 and 2014.

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two are directors (2014: two are directors) whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Salaries and other benefits | **197,677** | 212,229 |
| Discretionary bonuses | **6,784** | 9,216 |
| | **204,461** | 221,445 |

The emoluments of the three (2014: three) individuals with the highest emoluments are within the band of HK$Nil to HK$1,000,000 for both 2015 and 2014.

## 10 LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year of US$8,024,761 (2014: US$10,382,137) and the weighted average of 907,680,000 (2014: 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 2015 (2014: same) as there were no dilutive potential ordinary shares during the years ended 31 December 2015 and 2014.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Buildings held for own use carried at cost | Machinery, moulds and equipment | Office equipment, furniture and fittings | Electrical, water and utility systems | Motor vehicles | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| **Cost** | | | | | | | |
| At 1 January 2014 | 15,078,638 | 72,456,094 | 1,863,101 | 7,122,855 | 1,464,955 | 212,766 | 98,198,409 |
| Additions | 34,196 | 2,576,107 | 15,939 | – | 40,487 | 932,532 | 3,599,261 |
| Transfer from assets under construction | – | 380,060 | – | – | – | (380,060) | – |
| Disposals | (11,668) | (103,340) | (10,856) | – | (394,588) | – | (520,452) |
| Written off | – | (1,628,130) | (13,140) | – | (20,027) | – | (1,661,297) |
| Exchange adjustments | (230,914) | (762,413) | (21,944) | (80,032) | (13,290) | (7,072) | (1,115,665) |
| At 31 December 2014 | 14,870,252 | 72,918,378 | 1,833,100 | 7,042,823 | 1,077,537 | 758,166 | 98,500,256 |
| At 1 January 2015 | 14,870,252 | 72,918,378 | 1,833,100 | 7,042,823 | 1,077,537 | 758,166 | 98,500,256 |
| Additions | 4,581 | 1,930,643 | 37,557 | 23,989 | – | 775,378 | 2,772,148 |
| Transfer from assets under construction | – | 558,068 | – | – | – | (558,068) | – |
| Transfer to short-term prepayment | – | – | – | – | – | (205,875) | (205,875) |
| Reclassification | – | (632,752) | – | 630,247 | 2,505 | – | – |
| Disposals | (2,989) | (235,209) | (4,220) | (815) | (57,455) | – | (300,688) |
| Written off | (221,238) | (569,951) | (345,299) | (81,016) | (80,038) | (116,173) | (1,413,715) |
| Exchange adjustments | (717,681) | (3,560,952) | (157,042) | (278,949) | (49,672) | (34,758) | (4,799,054) |
| At 31 December 2015 | 13,932,925 | 70,408,225 | 1,364,096 | 7,336,279 | 892,877 | 618,670 | 94,553,072 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2014 | 6,557,518 | 59,067,099 | 1,469,865 | 4,895,317 | 893,809 | – | 72,883,608 |
| Charge for the year | 576,139 | 4,451,592 | 176,030 | 323,176 | 139,126 | – | 5,666,063 |
| Written back on disposals | (11,668) | (103,340) | (7,295) | – | (357,743) | – | (480,046) |
| Written off | – | (1,627,744) | (16,046) | – | (9,858) | – | (1,653,648) |
| Exchange adjustments | (78,463) | (686,728) | (18,037) | (57,742) | (8,106) | – | (849,076) |
| At 31 December 2014 | 7,043,526 | 61,100,879 | 1,604,517 | 5,160,751 | 657,228 | – | 75,566,901 |
| At 1 January 2015 | 7,043,526 | 61,100,879 | 1,604,517 | 5,160,751 | 657,228 | – | 75,566,901 |
| Charge for the year | 555,612 | 3,354,769 | 156,631 | 328,964 | 125,271 | – | 4,521,247 |
| Impairment loss | – | 1,187,510 | – | – | – | 307,296 | 1,494,806 |
| Reclassification | (66,603) | (465,339) | (76,083) | 607,321 | 704 | – | – |
| Exchange adjustments | (347,079) | (3,007,923) | (72,597) | (267,342) | (31,962) | – | (3,726,903) |
| Written back on disposals | (2,883) | (235,209) | (3,669) | (555) | (45,778) | – | (288,094) |
| Written off | (201,355) | (569,951) | (345,299) | (79,768) | (77,534) | – | (1,273,907) |
| At 31 December 2015 | 6,981,218 | 61,364,736 | 1,263,500 | 5,749,371 | 627,929 | 307,296 | 76,294,050 |
| **Net book value** | | | | | | | |
| At 31 December 2015 | 6,951,707 | 9,043,489 | 100,596 | 1,586,908 | 264,948 | 311,374 | 18,259,022 |
| At 31 December 2014 | 7,826,726 | 11,817,499 | 228,583 | 1,882,072 | 420,309 | 758,166 | 22,933,355 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (a) Impairment loss

During the year ended 31 December 2015, the Group considered a number of moulds and equipment included in "assets under construction" and "machinery, moulds and equipment" were not likely to be used for production of motorbikes or spare parts in the future. The Group assessed the recoverable amounts of these moulds and equipment to be $Nil and accordingly the carrying amount of the moulds and equipment was written down to $Nil. An impairment loss of $1,494,806 was recognised in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

## 12 INTANGIBLE ASSET

Intangible assets represent computer software.

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| **Cost** | | |
| At 1 January | **1,583,253** | 1,597,723 |
| Additions | **–** | 4,408 |
| Disposals | **(10,111)** | (899) |
| Exchange adjustments | **(76,871)** | (17,979) |
| At 31 December | **1,496,271** | 1,583,253 |
| **Accumulated amortisation** | | |
| At 1 January | **1,367,760** | 1,226,836 |
| Charge for the year | **127,868** | 156,927 |
| Disposals | **(10,111)** | (899) |
| Exchange adjustments | **(68,914)** | (15,104) |
| At 31 December | **1,416,603** | 1,367,760 |
| **Net book value** | | |
| At 31 December | **79,668** | 215,493 |

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

## 13 LEASE PREPAYMENTS

Lease prepayments represent prepaid land lease rental and related costs.

| | | |
|---|---|---|
| At 1 January | **5,614,457** | 6,047,579 |
| Less: amortisation | **(231,532)** | (368,293) |
| Exchange adjustments | **(268,057)** | (64,829) |
| At 31 December | **5,114,868** | 5,614,457 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 14 INTEREST IN AN ASSOCIATE

The Group's interest in an associate of US$577,189 (2014: US$641,654) represents its share of the net assets of the Vietnam Three Brothers Machinery Industry Co., Limited ("VTBM").

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

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

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

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

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| **Gross amounts of the associate** | | |
| Current assets | **2,255,448** | 2,614,842 |
| Non-current assets | **796,507** | 888,881 |
| Current liabilities | **(1,190,055)** | (1,433,871) |
| Non-current liabilities | **–** | – |
| Equity | **1,861,900** | 2,069,852 |
| Revenue | **5,847,067** | 6,287,065 |
| Profit from continuing operations | **194,623** | 237,903 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **194,623** | 237,903 |
| Dividend declared by the associate | **(304,226)** | (151,282) |
| **Reconciled to the Group's interest in the associate** | | |
| Gross amounts of net assets of the associate | **1,861,900** | 2,069,852 |
| Group's effective interest | **31%** | 31% |
| Group's share of net assets of the associate and the carrying amount in the consolidated financial statements | **577,189** | 641,654 |

## 15 INVENTORIES

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

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Raw materials | **14,560,937** | 22,973,258 |
| Tools and supplies | **456,626** | 462,920 |
| Work in progress | **986,683** | 858,317 |
| Finished goods | **3,158,580** | 3,432,798 |
| Merchandise inventories* | **3,053,364** | 3,701,126 |
| | **22,216,190** | 31,428,419 |
| Provision for write down of inventories | **(1,566,644)** | (1,334,574) |
| Net realisable value | **20,649,546** | 30,093,845 |

* *Merchandise inventories mainly represent spare parts kept for repairs and maintenance.*

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 15 INVENTORIES (Continued)

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

| | **2015** **US$** | 2014 *US$* |
|---|---|---|
| Carrying amount of inventories sold | **106,587,223** | 140,652,333 |
| Write down of inventories | **445,738** | 821,859 |
| | **107,032,961** | 141,474,192 |

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

| | **2015** | 2014 |
|---|---|---|
| At 1 January | **1,334,574** | 826,897 |
| Additions | **445,738** | 821,859 |
| Utilisation | **(142,937)** | (300,473) |
| Exchange adjustments | **(70,731)** | (13,709) |
| At 31 December | **1,566,644** | 1,334,574 |

## 16 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

| | **2015** **US$** | 2014 *US$* |
|---|---|---|
| Trade receivables *(Note 16(a))* | **7,968,784** | 13,560,182 |
| Non-trade receivables *(Note 16(b))* | **18,363,761** | 16,180,287 |
| Prepayments *(Note 16(c))* | **2,231,285** | 2,525,956 |
| Amounts due from related parties *(Note 26(b))* | | |
| Trade *(Note 16(a))* | **280,522** | 959,584 |
| Non-trade | **497,580** | 333,308 |
| | **29,341,932** | 33,559,317 |

### (a) Trade receivables

#### *(i) Ageing analysis*

All of the trade receivables (including trade receivables 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 allowance for doubtful debts, is as follows:

| | **2015** | 2014 |
|---|---|---|
| Within 3 months | **8,249,306** | 14,244,400 |
| More than 3 months but within 1 year | **–** | 272,283 |
| More than 1 year | **–** | 3,083 |
| | **8,249,306** | 14,519,766 |

Further details on the Group's credit policy are set out in Note 24(a).

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 16 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

### (a) Trade receivables (Continued)

#### *(ii) Trade receivables that are not impaired*

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

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Neither past due nor impaired | **6,234,760** | 12,790,006 |
| Less than 1 month past due | **1,812,049** | 1,256,562 |
| 1 to 3 months past due | **202,497** | 197,832 |
| More than 3 months but within 1 year past due | **–** | 272,283 |
| More than 1 year past due | **–** | 3,083 |
| | **2,014,546** | 1,729,760 |
| | **8,249,306** | 14,519,766 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

### (b) Non-trade receivables

| | | |
|---|---|---|
| Deductible value-added tax | **13,631,977** | 9,175,643 |
| Import tax refundable | **2,377,636** | 2,097,195 |
| Interest receivable | **2,075,479** | 3,215,938 |
| Others | **278,669** | 1,691,511 |
| | **18,363,761** | 16,180,287 |

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

### (c) Prepayments

| | | |
|---|---|---|
| Prepayments | **2,227,221** | 2,518,744 |
| Advances to suppliers | **4,064** | 7,212 |
| | **2,231,285** | 2,525,956 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 17 TIME DEPOSITS MATURING AFTER THREE MONTHS

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Denominated in VN$ | **53,060,445** | 65,582,864 |
| Denominated in US$ | **15,000,000** | 20,500,000 |
| Denominated in RMB | **13,490,114** | 16,087,384 |
| | **81,550,559** | 102,170,248 |

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

| | | |
|---|---|---|
| Effective interest rates – VN$ | **4.9% to 8.1%** | 6.3% to 8.1% |
| Effective interest rates – US$ | **1.0%** | 1.24% to 1.6% |
| Effective interest rates – RMB | **3.2% to 3.8%** | 3% to 3.2% |

As at 31 December 2015, certain of the Group's time deposits with an aggregate value of US$8,381,069 (2014: US$8,453,432) were pledged to secure bank loans (see Note 20).

## 18 CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Denominated in VN$ | **4,512,428** | 6,885,034 |
| Denominated in US$ | **12,197,509** | 7,653,263 |
| Denominated in RMB | **4,175,757** | 1,034,109 |
| Denominated in NT$ | **54,715** | 393,952 |
| Denominated in HK$ | **48,511** | 19,511 |
| | **20,988,920** | 15,985,869 |

## 19 TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade payables *(Note 19(a))* | **6,647,702** | 10,793,326 |
| Other payables and accrued operating expenses *(Note 19(b))* | **4,912,858** | 6,985,286 |
| Receipts in advance from customers | **123,455** | 1,085,283 |
| Amounts due to related parties *(Note 26(c))* | | |
| Trade *(Note 19(a))* | **1,569,945** | 2,878,562 |
| Non-trade | **2,101,114** | 2,228,151 |
| | **15,355,074** | 23,970,608 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 19 TRADE AND OTHER PAYABLES (Continued)

### (a) Trade payables

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

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Within 3 months | **8,161,844** | 13,617,625 |
| More than 3 months but within 1 year | **46,994** | 54,263 |
| More than 1 year but within 5 years | **8,809** | – |
| | **8,217,647** | 13,671,888 |

### (b) Other payables and accrued operating expenses

| | | |
|---|---|---|
| Other tax payables | **292,724** | 408,234 |
| Commission and bonuses payable to dealers | **441,144** | 1,641,758 |
| Accrued expenses | **1,285,621** | 1,292,208 |
| Other payables | **2,893,369** | 3,643,086 |
| | **4,912,858** | 6,985,286 |

The above balances are expected to be settled within one year.

## 20 BANK LOANS

At 31 December 2015, the bank loans were analysed as follows:

| | | |
|---|---|---|
| Secured | **24,558,291** | 26,738,065 |
| Unsecured | **–** | 10,601,248 |
| | **24,558,291** | 37,339,313 |

All of the bank loans are interest bearing at 1.8% to 5.4% (2014: 2.1% to 5.1%) per annum and to be settled within 1 to 6 months. At 31 December 2015, the secured bank loans of the Group were secured over certain time deposits of the Group (see Note 17).

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 21 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Provision for tax for the year | **148,842** | 176,881 |
| Provisional tax paid | **(97,646)** | (127,367) |
| Effect of movements in exchange rates | **2,651** | 15,684 |
| At 31 December | **53,847** | 65,198 |

### (b) Deferred tax assets/(liabilities) recognised:

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

| **Deferred tax arising from:** | **Write-down of inventories** | **Depreciation in excess of the related depreciation allowances** | **Provisions and accruals** | **Others** | **Total** |
|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| At 1 January 2014 | 119,781 | 209,864 | 520,955 | (11,985) | 838,615 |
| Credited/(charged) to profit or loss | 78,955 | 11,954 | (21,675) | (41,650) | 27,584 |
| Effect of movements in exchange rates | (2,015) | (2,460) | (5,668) | 2,455 | (7,688) |
| At 31 December 2014 and 1 January 2015 | 196,721 | 219,358 | 493,612 | (51,180) | 858,511 |
| Credited/(charged) to profit or loss | 46,527 | 12,112 | (151,743) | (8,330) | (101,434) |
| Effect of movements in exchange rates | (10,463) | (10,887) | (20,993) | 744 | (41,599) |
| At 31 December 2015 | 232,785 | 220,583 | 320,876 | (58,766) | 715,478 |

Represented by:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Deferred tax assets | **774,244** | 909,691 |
| Deferred tax liabilities | **(58,766)** | (51,180) |
| At 31 December | **715,478** | 858,511 |

### (c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of US$24,646,653 (2014: US$17,357,917) of a subsidiary as at 31 December 2015, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses would expire within 5 years under current tax legislation.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 22 PROVISIONS

| | Warranties *US$* | Severance pay *US$* | Total *US$* |
|---|---|---|---|
| At 1 January 2014 | 188,806 | 1,324,771 | 1,513,577 |
| Additional provisions made | 524,960 | 59,814 | 584,774 |
| Provision utilised | (528,217) | (251,099) | (779,316) |
| Effect of movements in exchange rates | (2,093) | (9,484) | (11,577) |
| At 31 December 2014 | 183,456 | 1,124,002 | 1,307,458 |
| At 1 January 2015 | 183,456 | 1,124,002 | 1,307,458 |
| Additional provisions made | 284,383 | 28,096 | 312,479 |
| Provision utilised | (359,711) | (198,250) | (557,961) |
| Effect of movements in exchange rates | (7,431) | (35,892) | (43,323) |
| At 31 December 2015 | 100,697 | 917,956 | 1,018,653 |

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

## 23 CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

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

**The Company**

| | Share capital *US$* | Share premium *US$* | Capital reserve *US$* | Retained profits *US$* | Total *US$* |
|---|---|---|---|---|---|
| **Balance at 1 January 2014** | 1,162,872 | 112,198,709 | 1,962,666 | 10,526,301 | 125,850,548 |
| **Change in equity for 2014:** | | | | | |
| Total comprehensive income for the year | – | – | – | (1,037,347) | (1,037,347) |
| **Balance at 31 December 2014 and 1 January 2015** | 1,162,872 | 112,198,709 | 1,962,666 | 9,488,954 | 124,813,201 |
| **Change in equity for 2015:** | | | | | |
| Total comprehensive income for the year | – | – | – | (562,097) | (562,097) |
| **Balance at 31 December 2015** | 1,162,872 | 112,198,709 | 1,962,666 | 8,926,857 | 124,251,104 |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 23 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (b) Share capital

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** ***US$*** | Number of shares | Amount *US$* |
| **Authorised:** | | | | |
| Ordinary shares of HK$0.01 each | **10,000,000,000** | **12,811,479** | 10,000,000,000 | 12,811,479 |
| **Ordinary shares, issued and fully paid:** | | | | |
| At 1 January/31 December | **907,680,000** | **1,162,872** | 907,680,000 | 1,162,872 |

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

### (c) Nature and purpose of reserves

#### *(i) Share premium*

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

#### *(ii) Capital reserve*

Capital reserve represents the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments (Note 2(p)(ii)).

#### *(iii) Exchange reserve*

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

#### *(iv) Statutory reserves*

Statutory reserves represents the statutory reserve of Chin Zong.

In accordance with Chin Zong's Articles of Association, after Chin Zong has paid all taxes due at the end of the fiscal year, Chin Zong shall offset its accumulated losses (if any) and set aside 10% of the net profit as a statutory reserve before distribution of profit.

### (d) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was US$121,125,566 (2014: US$121,687,663).

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 23 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (e) Capital management

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

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

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

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

## 24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers.

The Group's exposure to credit risk is low as the Group generally offers no credit terms to domestic customers, which accounted for approximately 45% (2014: 46%) of total sales. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not obtain collateral in respect of trade receivables.

The maximum exposure to credit risk for trade receivables at the end of the reporting period by business type was as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Manufacture and sales of motorbikes | **6,887,395** | 12,662,564 |
| Manufacture and sales of spare parts and engines | **1,358,195** | 1,847,791 |
| Moulds and repair services | **3,716** | 9,411 |
| | **8,249,306** | 14,519,766 |

(Expressed in United States dollars unless otherwise indicated)

## 24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (b) Interest rate risk

The Group's interest rate risk arises primarily from the following interest bearing financial assets and liabilities.

#### *(i) Time deposits maturing after three months*

Time deposits maturing after three months are placed to satisfy conditions for borrowing facilities granted to the Group and for higher yield returns than cash at banks.

#### *(ii) Bank borrowings*

The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes of interest rates.

The Group's interest rate profile as monitored by management is set out in (iii) below.

#### *(iii) Interest rate profile*

At 31 December 2015, the interest rate profile of the Group was as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Effective interest rate** | | Effective interest rate | |
| | **%** | ***US$*** | *%* | *US$* |
| **Net variable rate deposits** | | | | |
| Time deposits maturing after three months | **1.0% to 8.1%** | **81,550,559** | 1.24% to 8.1% | 102,170,248 |
| Less: interest-bearing borrowings | **1.8% to 5.4%** | **(24,558,291)** | 2.1% to 5.1% | (37,339,313) |
| | | **56,992,268** | | 64,830,935 |

#### *(iv) Sensitivity analysis*

As at 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's net loss after tax and increased/decreased the Group's retained profits by approximately US$518,619 (2014: US$597,471) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (c) Currency risk

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

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

#### *(i) Exposure to currency risk*

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

| | **Exposure to foreign currencies (expressed in United States dollars)** | | |
|---|---|---|---|
| | ***US$*** | ***RMB*** | ***NT$*** |
| **2015** | | | |
| Trade and other receivables | **6,603,261** | **156,268** | **–** |
| Time deposits maturing after three months | **–** | **13,490,114** | **–** |
| Cash and cash equivalents | **6,593,572** | **4,175,757** | **–** |
| Trade and other payables | **(1,395,995)** | **(5,965,617)** | **(1,212,048)** |
| Bank loans | **(19,390,869)** | **–** | **–** |
| Net exposure arising from recognised assets and liabilities | **(7,590,031)** | **11,856,522** | **(1,212,048)** |

| | Exposure to foreign currencies (expressed in United States dollars) | | |
|---|---|---|---|
| | *US$* | *RMB* | *JPY* |
| 2014 | | | |
| Trade and other receivables | 12,712,180 | 5,326,779 | 344,400 |
| Time deposits maturing after three months | – | 16,087,384 | – |
| Cash and cash equivalents | 6,537,563 | 1,034,109 | – |
| Trade and other payables | (4,418,144) | (12,251,192) | (2,261,000) |
| Bank loans | (28,402,933) | – | – |
| Net exposure arising from recognised assets and liabilities | (13,571,334) | 10,197,080 | (1,916,000) |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (c) Currency risk (Continued)

#### *(ii) Sensitivity analysis*

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

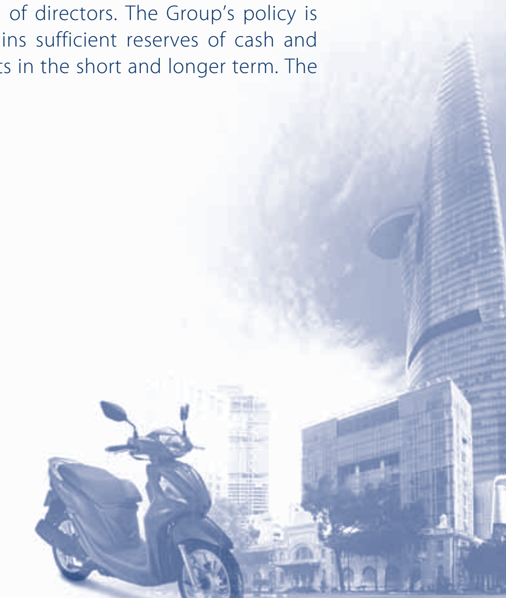
| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Increase/ (decrease) loss after tax US$** | **Increase/ (decrease) retained profits US$** | Increase/ (decrease) in foreign exchange rates | Increase/ (decrease) loss after tax US$ | Increase/ (decrease) retained profits US$ |
| US$ | **5%** | **308,860** | **(308,860)** | 5% | 554,057 | (554,057) |
| | **(5)%** | **(308,860)** | **308,860** | (5)% | (554,057) | 554,057 |
| RMB | **5%** | **(636,674)** | **636,674** | 5% | (563,975) | 563,975 |
| | **(5)%** | **636,674** | **(636,674)** | (5)% | 563,975 | (563,975) |
| NT$ | **5%** | **49,694** | **(49,694)** | – | – | – |
| | **(5)%** | **(49,694)** | **49,694** | – | – | – |
| JPY | **–** | **–** | **–** | 5% | 78,581 | (78,581) |
| | **–** | **–** | **–** | (5)% | (78,581) | 78,581 |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

### (d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term. The contractual maturities of financial liabilities are disclosed in Notes 19 and 20.



# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (d) Liquidity risk (Continued)

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

| **2015** | **Contractual undiscounted cash outflow** | | | |
|---|---|---|---|---|
| | **Within 6 months or on demand** | **More than 6 months but less than 1 year** | **Total** | **Carrying amount at 31 Dec** |
| | ***US$*** | ***US$*** | ***US$*** | ***US$*** |
| Trade and other payables excluding receipts in advance from customers | **14,870,770** | **360,849** | **15,231,619** | **15,231,619** |
| Bank loans | **24,649,764** | **–** | **24,649,764** | **24,558,291** |
| | **39,520,534** | **360,849** | **39,881,383** | **39,789,910** |

| 2014 | Contractual undiscounted cash outflow | | | |
|---|---|---|---|---|
| | Within 6 months or on demand | More than 6 months but less than 1 year | Total | Carrying amount at 31 Dec |
| | *US$* | *US$* | *US$* | *US$* |
| Trade and other payables excluding receipts in advance from customers | 22,528,599 | 356,726 | 22,885,325 | 22,885,325 |
| Bank loans | 37,383,268 | – | 37,383,268 | 37,339,313 |
| | 59,911,867 | 356,726 | 60,268,593 | 60,224,638 |

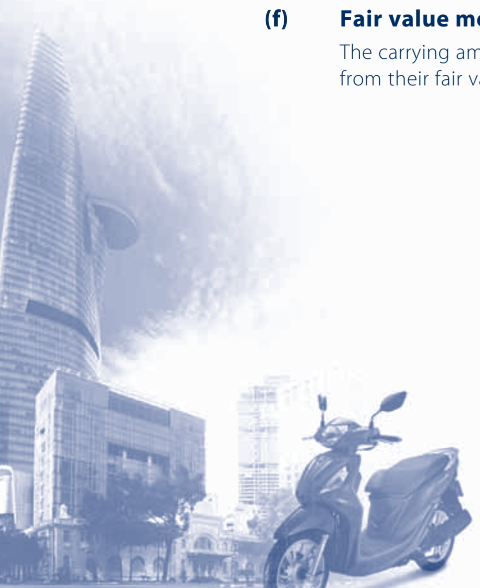
### (e) Business risk

The Group has certain concentration risk of raw materials and finished goods sourcing from related parties. The Group's total purchases of raw materials and finished goods from the related parties amounted to US$16,059,610 (2014: US$26,449,445) which accounted for approximately 9% (2014: 21%) of the Group's total purchases for the year ended 31 December 2015.

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

### (f) Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2015.



# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 25 COMMITMENTS

### Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases were payable as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Within 1 year | **384,045** | 403,678 |
| After 1 year but within 5 years | **1,536,182** | 1,614,711 |
| After 5 years | **4,556,278** | 4,859,216 |
| | **6,476,505** | 6,877,605 |

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.

## 26 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, transactions with the following parties are considered as material related party transactions:

| **Name of party** | **Relationship** |
|---|---|
| Sanyang Motor Co., Ltd. ("Sanyang") (formerly known as Sanyang Industry Co., Ltd.) | The ultimate holding company |
| Qingzhou Engineering Industry Co., Ltd. | A subsidiary of Sanyang |
| Sanyang Global Co., Ltd. | A subsidiary of Sanyang |
| Sanyang Motor Co., Ltd Vietnam | A subsidiary of Sanyang |
| Sanyang Vietnam Automobile Co., Ltd. | A subsidiary of Sanyang |
| Xia Shing Xiamen Motorcycle Co., Ltd. | A subsidiary of Sanyang |
| Hanoi Full Ta Precision Company Limited | An associate of Sanyang |
| Vietnam Three Brothers Machinery Industry Co., Limited | The associate of the Company and a non-wholly owned subsidiary of Sanyang |

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (a) Recurring transactions

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| **Sales of finished goods and spare parts: *(i)*** | | |
| Sanyang Motor Co., Ltd. | **413,894** | 558,709 |
| Sanyang Motor Co., Ltd Vietnam | **–** | 1,767 |
| Xia Shing Xiamen Motorcycle Co., Ltd. | **–** | 210 |
| | **413,894** | 560,686 |
| **Purchases of raw materials and finished goods: *(ii)*** | | |
| Sanyang Motor Co., Ltd. | **7,130,630** | 13,858,464 |
| Qingzhou Engineering Industry Co., Ltd. | **135,191** | 176,041 |
| Sanyang Global Co., Ltd. | **4,808,301** | 8,010,421 |
| Xia Shing Xiamen Motorcycle Co., Ltd. | **1,193,941** | 319,233 |
| Hanoi Full Ta Precision Company Limited | **–** | 854,418 |
| Vietnam Three Brothers Machinery Industry Co., Limited | **2,644,475** | 3,230,868 |
| | **16,059,610** | 26,449,445 |
| **Purchases of property, plant and equipment: *(iii)*** | | |
| Sanyang Motor Co., Ltd. | **89,232** | 1,025,545 |
| Vietnam Three Brothers Machinery Industry Co., Limited | **303,317** | 68,642 |
| Sanyang Motor Co., Ltd Vietnam | **147,072** | – |
| | **539,621** | 1,094,187 |

## 26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (a) Recurring transactions (Continued)

| | **2015** **US$** | 2014 US$ |
|---|---|---|
| **Technology transfer fees: *(iv)*** | | |
| Sanyang Motor Co., Ltd. | **2,880,912** | 4,157,291 |
| **Technical consultancy fees: *(v)*** | | |
| Sanyang Motor Co., Ltd. | **1,671,894** | 1,444,071 |

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

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

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

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

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

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) Amounts due from related parties

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| **Trade** | | |
| Sanyang Motor Co., Ltd. | **34,698** | 99,903 |
| Sanyang Global Co., Ltd. | **237,145** | 859,471 |
| Xia Shing Xiamen Motorcycle Co., Ltd. | **–** | 210 |
| Vietnam Three Brothers Machinery Industry Co., Ltd | **8,679** | – |
| **Subtotal** | **280,522** | 959,584 |
| **Non-trade** | | |
| Sanyang Motor Co., Ltd. | **458,747** | 125,268 |
| Vietnam Three Brothers Machinery Industry Co., Limited | **38,833** | 208,040 |
| **Subtotal** | **497,580** | 333,308 |
| **Total** | **778,102** | 1,292,892 |

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

### (c) Amounts due to related parties

| | | |
|---|---|---|
| **Trade** | | |
| Sanyang Motor Co., Ltd. | **263,657** | 1,202,630 |
| Qingzhou Engineering Industry Co., Ltd. | **41,363** | 30,176 |
| Sanyang Global Co., Ltd. | **613,379** | 1,271,692 |
| Xia Shing Xiamen Motorcycle Co., Ltd. | **118,501** | – |
| Vietnam Three Brothers Machinery Industry Co., Limited | **533,045** | 374,064 |
| **Subtotal** | **1,569,945** | 2,878,562 |
| **Non-trade** | | |
| Sanyang Motor Co., Ltd. | **2,101,114** | 2,228,151 |
| **Total** | **3,671,059** | 5,106,713 |

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

The non-trade balance due to a related party is expected to be settled within one year.

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (d) Key management personnel remuneration

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

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Short-term employee benefits | **669,649** | 876,728 |

## 27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | | |
|---|---|---|
| **Non-current assets** | | |
| Investments in subsidiaries | **63,285,883** | 63,285,883 |
| **Current assets** | | |
| Trade receivables, other receivables and prepayments | **24,220,584** | 24,413,463 |
| Time deposits maturing after three months | **28,490,114** | 36,587,384 |
| Cash and cash equivalents | **8,835,710** | 1,204,754 |
| | **61,546,408** | 62,205,601 |
| **Current liabilities** | | |
| Other payables | **294,586** | 342,281 |
| Provisions | **286,601** | 336,002 |
| | **581,187** | 678,283 |
| **Net current assets** | **60,965,221** | 61,527,318 |
| **Total assets less current liabilities** | **124,251,104** | 124,813,201 |
| **Net assets** | **124,251,104** | 124,813,201 |
| **Capital and reserves** | | |
| Share capital | **1,162,872** | 1,162,872 |
| Reserves | **123,088,232** | 123,650,329 |
| **Total equity** | **124,251,104** | 124,813,201 |

Approved and authorised for issue by the Board of Directors on 24 March 2016.

**Liu, Wu-Hsiung**
*Director*

**Lu, Tien-Fu**
*Director*

# Notes to the Consolidated Financial Statements

*(Expressed in United States dollars unless otherwise indicated)*

## 28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, the directors consider the immediate parent and ultimate controlling party of the Company to be SY International Ltd. and Sanyang Motor Co., Ltd., respectively. Sanyang Motor Co., Ltd. is incorporated in Taiwan and produces financial statements available for public use.

## 29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| *Annual improvements to IFRSs 2012-2014 cycle* | 1 January 2016 |
| Amendments to IAS 1, *Disclosure initiative* | 1 January 2016 |
| Amendments to IAS16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation* | 1 January 2016 |
| IFRS 15, *Revenue from contracts with customers* | 1 January 2018 |
| IFRS 9, *Financial instruments* | 1 January 2018 |
| IFRS 16, *Leases* | 1 January 2019 |

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