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 2019

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Wu Hsiung *(Chairman)*
Mr. Lin Chih Ming *(Chief Executive Officer)*
Mr. Lin Chun Yu
Mr. Chiang Chin Yung

Non-executive Directors
Ms. Wu Li Chu
Mr. Chiu Ying Feng

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

AUTHORISED REPRESENTATIVES
Mr. Liu Wu Hsiung
Ms. Ng Wing Shan

COMPANY SECRETARY
Ms. Ng Wing Shan

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

LEGAL ADVISER
Norton Rose Fulbright Hong Kong

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
SMP Partners (Cayman) Limited
Royal Bank House, 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

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

PRINCIPAL BANKERS
Asia Commercial Bank
Jointstock commercial Bank for Foreign Trade of Vietnam

STOCK CODE
422

WEBSITE AND CONTACT
www.vmeph.com
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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:

	2019	2018	2017	2016	2015
	US$'M	*US$'M*	*US$'M*	*US$'M*	*US$'M*
RESULTS					
Revenue	**99.5**	91.5	93.7	133.2	125.7
Gross profit/(loss)	**5.4**	(2.3)	6.1	15.7	9.1
Results from operating activities	**(11.0)**	(23.3)	(13.2)	(3.3)	(11.0)
Loss before taxation	**(17.6)**	(40.5)	(9.8)	(0.8)	(7.8)
Loss attributable to equity shareholders	**(17.6)**	(41.8)	(9.3)	(0.7)	(8.0)
Loss per share *(US$) (Note 1)*	**(0.020)**	(0.050)	(0.010)	(0.001)	(0.009)
ASSETS AND LIABILITIES					
Total assets	**109.2**	115.2	161.7	178.0	177.3
Total liabilities	**44.7**	33.1	35.9	43.4	41.0
Net assets	**64.6**	82.1	125.8	134.6	136.3
Equity attributable to equity shareholders	**64.6**	82.1	125.8	134.6	136.3
Return on equity *(%)*	**(27.2)**	(50.9)	(7.4)	(0.5)	(5.9)
Current ratio *(times) (Note 2)*	**2.3**	3.3	3.9	3.5	3.7
Gearing ratio *(%) (Note 3)*	**43**	23	19	19	18

Notes:

1. The calculation of loss per share for above is 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) of the Company during the year.

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

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

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

OPERATING ENVIRONMENT

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

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

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

BUSINESS REVIEW

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

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

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

To cope with the rapidly evolving and competitive environment, the Group directed focus on developing market and accelerating product research and development. In 2019, the Group launched a number of new or modified motorbike models, among which, scooter New Attila125 is a model focusing on the metropolitan female market. Three new or modified models of cub motorbikes with engine capacity of 50 cc, namely Elegant 50, Angela 50 and Galaxy 50, were rolled out to the market. All of them are available in different colours, giving more choices to consumers and were well received by our young student customers. For engine capacity of 125cc, the Group launched Galaxy125 and Angel 125, which is a model designed to attract male customers with its appearance and practical functionality. In the ASEAN countries, the Group's advanced-level models of VF-series motorbikes have been well-received by overseas consumers. The Group also entered into strategic alliance to provide original equipment manufacturing ("OEM") services for Lambretta. The motorbikes under the brand are characterised by their Italian retro looks and have been deeply attractive to consumers in Thailand, Indonesia and other high-end markets.

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

FINANCIAL REVIEW

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

REVENUE

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

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

COST OF SALES

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

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

For the year ended 31 December 2019, the Group recorded a gross profit and gross profit margin of approximately US$5.4 million and 5.4% respectively (the year ended 31 December 2018: gross loss and gross loss margin of approximately US$2.3 million and 2.5% respectively). The overall gross profit showed improvement, mainly attributable to the decrease in depreciation expenses after the impairment provision for the property, plant and equipment and other assets in respect of the business of manufacturing and sale of motorbikes in 2018. But owing to the highly competitive business environment in Vietnamese and ASEAN markets together with the rising costs of materials and manpower as discussed above, the Group was unable to reflect the increased costs by adjusting its selling prices for the time being. The greater increase in costs than in prices will continue to negatively impact the profitability of the Group's products. The Group has actively reviewed and optimised the sales mix of products, implemented a persistent control over production costs, and explored strategic alliances and collaborations. These moves, coupled with its geographical advantage and international experience, are expected to enhance the business synergy and diversify the income stream of the Group.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 1.7%, from US$6.0 million for the year ended 31 December 2018 to US$5.9 million for the year ended 31 December 2019. Such decrease was mainly attributed to rectification of existing distribution network, a decrease of sales incentives and supporting fees to distributors.

TECHNOLOGY TRANSFER FEES

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

ADMINISTRATIVE AND OTHER EXPENSES

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

RESULTS FROM OPERATING ACTIVITIES

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

IMPAIRMENT LOSS ON OTHER PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND PREPAYMENTS FOR OTHER PROPERTY, PLANT AND EQUIPMENT

Due to the poor results of the Group's manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment during the year ended 31 December 2019, the Group considered it was an indication that the other property, plant and equipment for the manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment (the "Relevant PPE"), right-of-use assets and prepayments for other property, plant and equipment may be impaired. Accordingly, the Group carry out an impairment testing on the Relevant PPE, right-of-use assets and prepayments for other property, plant and equipment and noted an impairment loss of approximately US$8.3 million on the other property, plant and equipment, right-of-use assets and prepayments for other property, plant and equipment were required as at 31 December 2019.

NET FINANCE INCOME

The Group's net finance income decreased by 48%, from US$3.1 million for the year ended 31 December 2018 to US$1.6 million for the year ended 31 December 2019. Such decrease was mainly attributable to a decrease in bank interest income by US$1.4 million, increase in bank interest expense by US$0.04 million, increase in lease liabilities interest expense by US$0.07 million and decrease in foreign exchange losses of US$0.05 million arising from fluctuation of the Vietnamese Dong against the US dollar for the year.

LOSS FOR THE PERIOD AND MARGIN

As a result of the factors discussed above, the Group's net loss for the year ended 31 December 2019 amounted to US$17.6 million, a decrease of 58% as compared to a loss of US$41.8 million for the year ended 31 December 2018. The Group's net loss margin improved from 46% for the year ended 31 December 2018 to 18% for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

KEY FINANCIAL INDICATORS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments and contingent liabilities as at 31 December 2019.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan and Hong Kong, and regularly reviews its remuneration packages in light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, quality staff living quarters, training and development opportunities, medical benefits, an insurance plan and retirement benefits. As at 31 December 2019, the Group had 1,467 employees (2018: 1,575). The total amount of salaries and related costs for the year ended 31 December 2019 amounted to approximately US$15.5 million (2018: US$12.8 million).

PROSPECTS

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

Looking ahead, amid the tough business environment, the Group will adhere to its operating approach of focusing on its primary business, product quality and customers' satisfaction. The Group will adopt product innovation as its key strategy to further strengthen its capabilities in product design and core technology development. In 2020, the Group plans to roll out a number of new or modified motorbike models in the Vietnamese market and ASEAN countries, including scooter, cub and electric motorbikes, so as to achieve product diversification and greater profitability, and offer consumers with environmentally-friendly and convenient products at reasonable prices and restructure the product lines to raise the proportion of high value-added products. The number of low gross profit items will be reduced to maintain reasonable profitability of products and, in turn, operations. As for market promotion and sales channels, the Group will introduce a new Corporate Identity System, under which the Group will change the logo under the brand of SYM and implement a holistic sales strategy, so as to establish a more distinguished brand image of the Group. The Group will also improve its "distributor licensing system" and extend the geographical coverage of its sales and services centres in order to provide its customers with better product repair and maintenance services. In regard to our manufacturing plants and facilities, as the Vietnamese government accelerated the pace of urbanisation and societal transformation, the Group has relocated the manufacturing facilities in Bien Hoa City of Dong Nai Province to Nhon Trach Industrial Zone II. The Group will continue to review the strategic function value and asset value of the manufacturing plants and facilities in Bien Hoa City of Dong Nai Province, or the potential return on land development. In addition, as disclosed in the announcement of the Company dated 14 May 2018, the Group proposed to establish a joint venture company for the purpose of investing in and development of a project of the Group in connection with the plots of land located at La Khe Ward, Ha Dong District, Hanoi City, Vietnam. The Group is still in discussion and negotiation with the relevant government authorities and the joint venture partner as to the application for the land development project and the timetable for the establishment of the joint venture company. Upon the formal documents for the approval of land development are issued by the Vietnamese government authorities, the manufacturing facilities of the Group in Ha Dong District will be moved out of their current location. The Board may consider exploring opportunities to diversity the Group's revenue streams by means of engaging in land development and/or acquisition should suitable opportunities arise.

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

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

APPLICATION OF IPO PROCEEDS

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

The table below sets out the detailed items of the use of proceeds from the initial public offering as at 31 December 2019:

	Net proceeds from the initial public offering as stated in the Prospectus and the Announcement Approximately in *US$' million*	**Amounts utilised as at 31 December 2019 Approximately in** *US$' million*	**Balance unutilised as at 31 December 2019 Approximately in** *US$' million*
Construction of research and development centre in Vietnam	11.7	11.7	–
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	15.0	15.0	–
Mergers and acquisitions	9.0	9.0	–
General working capital	2.7	2.7	–
Development of production sites as well as the relocation of existing production facilities	15.0	7.3	7.7
Land development	19.3	4.2	15.1
Total	76.7	53.9	22.8

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

MATERIAL ACQUISITIONS

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

In March 2020, VMEP made a contribution to the capital of Dinh Duong in the amount of VND69,000,000,000. Upon the capital contribution, the registered capital of Dinh Duong increased to VND168,350,000,000 from VND99,350,000,000 and VMEP holds a total of approximately 99.94% of equity interest in Dinh Duong. The industrial and business registration of changes in relation to the above capital contribution is now being processed.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2019 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements.

FINAL DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2019, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

OUR APPRECIATION

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

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

Hong Kong, 27 March 2020

The Board 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

For the year ended 31 December 2019, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviation:

Under code provision 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 of the Company (the "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 enquiries with all the Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2019.

THE BOARD OF DIRECTORS

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

The principal roles of the Board are:

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

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

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

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

COMPOSITION OF THE BOARD

The members of the Board for the year ended 31 December 2019 and as at the date of this annual report are:

Executive Directors

Mr. Liu Wu Hsiung *(Chairman)*
Mr. Lin Chih Ming *(Chief Executive Officer)*
Mr. Lin Chun Yu
Mr. Chiang Chin Yung

Non-executive Directors

Ms. Wu Li Chu
Mr. Chiu Ying Feng

Independent Non-executive Directors

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

The Directors have no financial, business, family or other material/relevant relationships with each other (including the chairman and the chief executive officer). The biographical details of the current Directors are set out in the "Directors and Senior Management Profile" section on pages 16 to 17 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. The Board meetings are also held whenever necessary to discuss various corporate matters including corporate actions, new major investments and significant changes in regulatory requirements that affect the Group. Board meetings are also held to discuss and review the quarterly, interim and annual results of the Group before the publication of results announcements, and to discuss and approve the Group's annual budget and business plans.

12 Board meetings and 2 general meetings (including annual general meeting and extraordinary general meeting) were held during the year ended 31 December 2019. The attendance record of each Director at the Board meetings and the general meetings is set out in the table below:

	Number of Meetings Attended	
Name of Directors	**Board meetings**	**General meetings**
Mr. Liu Wu Hsiung	12/12	2/2
Mr. Lin Chih Ming	12/12	2/2
Mr. Lin Chun Yu	12/12	2/2
Mr. Chiang Chin Yung	12/12	2/2
Ms. Wu Li Chu	10/12	0/2
Mr. Chiu Ying Feng	11/12	0/2
Ms. Lin Ching Ching	12/12	2/2
Mr. Shen Hwa Rong	12/12	2/2
Ms. Wu Kwei Mei	12/12	2/2

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

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code 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. Lin Chih Ming respectively.

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

NON-EXECUTIVE DIRECTORS

In line with code provision A.4.1 of the Code, each of 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 are independent.

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 code provision D.3.1 of 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 2019 were Ms. Lin Ching Ching (Chairman), Ms. Wu Kwei Mei and Mr. Liu Wu Hsiung.

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

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

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

During the year ended 31 December 2019, the Remuneration Committee held three meetings where all members attended. The Remuneration Committee recommended to the Board on the overall remuneration policy and structure relating to executive Directors and senior management of the Company and ensure none of the Directors determine their own remuneration.

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 2019 were Ms. Lin Ching Ching (Chairman), Mr. Shen Hwa Rong and Ms. Wu Kwei Mei.

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

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

During the year ended 31 December 2019, the Audit Committee held four meetings where all members attended. The Audit Committee met with the external auditors to discuss and review areas of concern, risk management and internal control system, and reviewed the interim and annual financial statements of the Group before submission to the Board. The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group and discussed risk management and internal control and financial reporting matters including the review of the audited financial statements, the interim and annual reports. The Audit Committee received comprehensive reports from the management and the internal and external auditors of the Company for the meetings held.

NOMINATION COMMITTEE

During the year ended 31 December 2019, 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. As and when circumstances required, the Board will hold Board meeting to discuss nomination of new Directors. In considering the suitability of a candidate for directorship, the Board will base on objective criteria, a balance of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of Board members of diversity, as well as the requirements under the Listing Rules for appointment of Directors.

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the remunerations paid or payable to KPMG, the external auditor of the Company, in respect of its audit services and non-audit services are US$411,656 (2018:US$377,019) and US$2,934 (2018: US$32,651), respectively. The non-audit services for the year of 2019 mainly consist of tax consultancy services.

COMPANY SECRETARY

Ms. NG Wing Shan ("Ms. Ng") is the company secretary of the Company. She is the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. Her primary contact person with the Company is Mr. LIN Chun Yu, the executive Director and the chief financial officer of the Company.

Ms. Ng is responsible for providing advice to the Board on corporate governance matters. Ms. Ng has confirmed that she has taken no less than 15 hours of relevant professional training for the year ended 31 December 2019.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group for the year ended 31 December 2019, suitable accounting policies have been adopted and applied consistently. The Board is not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue in business. The financial statements of the Group for the reporting year have been prepared on a going concern basis.

PERFORMANCE OF CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance function. The Board had reviewed the Group's policies and practices on corporate governance and compliance with legal and regulatory requirements including monitors the Group of compliance with the corporate governance code during the year ended 31 December 2019. The Board also reviewed the training and continuous professional development of directors and senior management of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board has conducted a review of the risk management and internal control system of the Group for the year ended 31 December 2019, covering financial, operational and legal compliance controls and risk management system. The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted regularly. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations. In addition, the Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and internal audit and financial reporting function. For the year ended 31 December 2019, the management of the Company has confirmed to the Board that the risk management and internal control systems of the Company are effective and adequate.

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

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

Process used to identify, evaluate and manage significant risks

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

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

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

All Directors confirmed that they have complied with the code provision A.6.5 of the Code on Directors' training. All Directors have participated in continuous professional development by reading materials or participating course, seminar and online debriefs regarding taxation, compliance, and global economic development to develop and refresh their knowledge.

SAFEGUARDING THE INTERESTS OF INDEPENDENT SHAREHOLDERS

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

DEED OF NON-COMPETITION

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

For the year ended 31 December 2019, each of the Covenantors also declares that it/he/she has complied with the Deed of Non-competition. Having made specific enquiries with all of the Covenantors, the independent non-executive Directors confirmed the Covenantors' compliance with the Deed of Non-competition for the year ended 31 December 2019.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions entered into by the Group for the year ended 31 December 2019 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 2019 to ensure that the terms of such transactions were in the best interests of the Company and the Shareholders as a whole.

The Company's external auditor, KPMG, reviewed the continuing connected transactions entered into by the Group during the year ended 31 December 2019 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 2019 are set out on pages 22 to 23 of this annual report.

INVESTOR AND SHAREHOLDERS RELATIONS

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

(c) Shareholders' enquiries

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

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2019.

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 the date of this annual report:

DIRECTORS

Executive Directors

Mr. Liu Wu Hsiung (劉武雄), aged 55, was appointed as an executive Director and the chairman of the Company on 16 May 2015, he was also appointed as 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 VMEP, a major subsidiary of the Company. Prior to joining the Group, Mr. Liu had also worked in various departments of Sanyang Motor Co., Ltd. ("Sanyang", together with its subsidiaries, the"Sanyang Group"), the ultimate holding company of the Company, including strategic planning and overseas market management from 1988 onwards, he became the vice general director of the overseas business division of Sanyang from 2006 to 2009, and the general manager of Sanyang Motor Vietnam Co., Ltd. from 2009 to May 2015. Mr. Liu has over 30 years of experience in the motor vehicle industry which he has acquired through his work experience and leadership role at the Group and Sanyang. Mr. Liu graduated from Feng Chia University in Taiwan with a bachelor's degree in international trade in 1986. He also holds a master's degree in business administration from the Cheng Chi University in Taiwan and an executive master degree in business administration (EMBA) from the Taiwan University respectively.

Mr. Lin Chih Ming (林智銘), aged 60 was appointed as an executive Director of the Company in August 2018. Mr. Lin acts as the chief executive officer of the Company and the director and general manager of the Company's subsidiaries, VMEP and Chin Zong Trading Company Limited currently. Prior to joining the Group, Mr. Lin worked in the Company's holding company, Sanyang including serving as a senior officer and manager in the research and developments and product design divisions of Sanyang from 1987 onwards. Mr. Lin has over 30 years of experience in the motor vehicle industry. Mr. Lin received his undergraduate degree and master degree in mechanical engineering from Taiwan University of Science and Technology in 1985 and 1987, respectively.

Mr. LIN Chun Yu (林俊宇), aged 45, was appointed as an executive Director of the Company in April 2016. Mr. Lin has over 20 years of experience in the audit and finance field and has held senior financial and administration management positions in various companies. Mr. Lin joined the Group in June 2015, and is currently the chief financial officer of the Company and the head of the finance department of various major subsidiaries of the Group, including VMEP and Vietnam Casting Forge Precision Limited ("VCFP") and the assistant vice president in the real estate development department of VMEP. Before joining the Group in June 2015, he was the finance manager of Sanyang Motor Vietnam Co., Ltd., a subsidiary of Sanyang. which is the ultimate holding company of the Group, from 2010 to 2015. Mr. Lin graduated from the Fu Jen Catholic University in Taiwan with a bachelor degree in accounting in 1997.

Mr. Chiang Chin Yung (江金鏞), aged 68, was appointed as an executive Director of the Company in August 2018. Mr. Chiang acts as the chairman of two subsidiaries of the Group, namely, VMEP and VCFP currently. Prior to joining the Group, Mr. Chiang worked in Sanyang from 1974 onwards and mainly responsible for finance, accounting, and administration of Sanyang Group. He served as a vice president in finance sector and administration sector of Sanyang for the period from 2003 to 2016 and retired from Sanyang Group on December 2016. He has over 40 years of experience in the motor vehicle and motorcycle industry acquired through his work experience at Sanyang Group.

Non-executive Directors

Mr. Chiu Ying Feng (邱穎峰), aged 59, was appointed as a non-executive Director of the Company 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 and 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 Taiwan University with a bachelor's degree in mechanical engineering in 1987.

Ms. Wu Li Chu (吳麗珠), aged 54, was appointed as an executive Director of the Company in August 2015 and re-designated as a non-executive Director of the Company on 27 June 2016. She is currently the vice chairman of Sanyang and a director of various subsidiaries of Sanyang Group. She has also worked as the finance manager at Jiou Ding Construction Co., Ltd., and finance and administration officer at Ying Cheng Construction Co., Ltd. Ms. Wu has over 25 years of experience in finance, administration and management by holding leader positions in companies in the construction and manufacturing industry in Taiwan.

Independent non-executive Directors

Ms. Lin Ching Ching (林青青), aged 55, was appointed as an independent non-executive Director of the Company in November 2007. Ms. Lin is the chairman of the Audit Committee and the Remuneration Committee. Ms. Lin is presently the supervisor of Sea Sonic Electronics Co., Ltd. (a publicly-traded company on the Taiwan Stock Exchange). 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 70, was appointed as an independent non-executive Director of the Company and a member of the Audit Committee in August 2011. Mr. Shen is currently the president of Environmental Management Accounting Network-Taiwan and a supervisor of CSBC Coating Solution Co., Ltd. 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 Chiao Tung University in Taiwan in 1992.

Ms. Wu Kwei Mei (吳貴美), aged 76, was appointed as an independent non-executive Director of the Company in August 2013, and she is also a member of the Remuneration Committee and the Audit Committee. Ms. Wu worked in the Department of Mathematics at the Taiwan University as an associate professor and an instructor from 1972 to 2009. She received a bachelor's degree in Mathematics from the Taiwan University in 1965 and a master's degree in Mathematics from the University of New Orleans in the United States in 1967.

SENIOR MANAGEMENT

Mr. Chen Feng Cheng (陳峰城), aged 49, is the vice president of production division of VMEP. Mr. Chen joined the Group in October 2018 and has over 20 years of experience in production of motorbikes. He graduated from Taiwan Science and Technology with a bachelor's degree of mechanical engineering in 1993.

Mr. Hsieh Cheng Chang (謝正常), aged 57, is the vice president of marketing division of VMEP. Mr. Hsieh joined the Group in July 2017 and has over 30 years of experience in marketing and sale of motorbikes. He graduated from Cheng Kung University in Taiwan with a bachelor's degree of naval architecture and naval mechatronic engineering in 1986.

Mr. Tsai Yu Tsai (蔡有財), age 62, is the assistant vice president of quality control management department of VMEP. Mr. Tsai joined the Group in 1999 and has over 35 years of experience in the production of motorbikes. He graduated from the Kai Nan High School of Commerce and Industry in Taiwan with a degree in mechanical engineering in 1973.

Mr. Tseng Chih Kun (曾支昆), aged 56, is a general manager of VCFP. Mr. Tseng joined the Group in May 2016 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 1984.

Mr. Tseng Chung Chao (曾仲兆), aged 56, is the assistant vice president of central area marketing division of VMEP. Mr. Tseng joined the Group in August 2016 and has over 25 years of experience in the marketing and sale of motorbikes. He graduated from the Chung Yuan Christian University in Taiwan with a bachelor's degree of mechanical engineering in 1986.

Mr. Tseng Kuo Lung (曾國龍), aged 56, is the assistant vice president of northern area 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.

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

The Board present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2019.

DIRECTORS

The Directors of the Company for the year ended 31 December 2019 and up to the date of this annual report were:

Executive Directors

Mr. Liu Wu Hsiung *(Chairman)*
Mr. Lin Chih Ming *(Chief Executive Officer)*
Mr. Lin Chun Yu
Mr. Chiang Chin Yung

Non-executive Directors

Ms. Wu Li Chu
Mr. Chiu Ying Feng

Independent Non-executive Directors

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the Group are manufacturing and sale of motorbikes, related spare parts and engines and provision of motorbike maintenance services. Particulars of the principal activities of the Company's major subsidiaries are set out in note 31 to the consolidated financial statements of the Group for the year ended 31 December 2019.

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

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2019 and the financial position of the Group as at that date are set out in the financial statements on pages 40 to 100 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

DIVIDEND POLICY

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

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

FINANCIAL SUMMARY

A financial summary of the results and the financial position of the Group for the last five financial years for the year ended 31 December 2019 is set out on page 3 on this annual report.

OTHER PROPERTY, PLANT AND EQUIPMENT

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

BANK LOANS

Details of bank loans are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of movements in the Group's registered and issued share capital for the year ended 31 December 2019 are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, 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 for the year ended 31 December 2019.

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2019 are set out in note 22 to the financial statements and in the consolidated statement of changes in equity, respectively. The Company's reserves available for distribution to Shareholders as at 31 December 2019 was US$64,863,281.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer and five largest customers accounted for approximately 24.4% and 49.5% of the Group's total revenue for the year ended 31 December 2019 respectively.

The aggregate purchase attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year ended 31 December 2019.

None of the Directors or any of their close associates or any shareholder (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

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

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

RELATIONSHIP WITH EMPLOYEES

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

RETIREMENT BENEFITS SCHEMES

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

DONATIONS

For the year ended 31 December 2019, the Group made charitable and other donations amounted to about 1.0 billion Vietnamese Dong (equivalent to approximately US$42,500).

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2019, as far as the Company is aware, there is no material breach of or non-compliance with applicable laws and regulations by the Group which has a significant impact on its business and operations.

RETIREMENT OF DIRECTORS

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

Accordingly, pursuant to article 87(1) of the articles of association of the Company, Mr. Liu Wu Hsiung, Mr. Lin Chun Yu and Ms. Wu Li Chu shall retire by rotation and being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the connected transactions and the related party transactions during the year ended 31 December 2019 are set out on page 22 and page 23 of this annual report respectively. Save as disclosed in this report, none of the Directors or any entity connected with the Directors or controlling shareholders of the Company or its subsidiaries had a material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies, was a party, which subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

For the year ended 31 December 2019, no rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, granted to any Director or their respective spouses or minor children aged under 18, or were such rights exercised by them, or was the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies a party to any arrangement to enable the Directors to acquire such benefits through such means.

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

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows.

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

Name of Directors	Types of Shares	Capacity	Number of Shares held *(shares)*	Approximate percentage of total share capital *(%)*[1]
Mr. Liu Wu Hsiung	Ordinary Shares	Beneficial Owner	111,380 (L)	0.013%
Mr. Lin Chih Ming	Ordinary Shares	Beneficial Owner	26,793 (L)	0.003%
Mr. Chiang Chin Yung	Ordinary Shares	Beneficial Owner	165,480 (L)	0.019%
Mr. Chiu Ying Feng	Ordinary Shares	Beneficial Owner	18,412 (L)	0.002%
Ms. Wu Li Chu	Ordinary Shares	Beneficial Owner	17,046,560 (L)	1.997%

(L) – Long position

Note:

1. The calculation is based on the total number of 853,595,604 shares of Sanyang Motor Company Limited in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, so far as is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interest and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As of 31 December 2019, so far as known to the Company after reasonable enquiry, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

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

(L) – Long position

Note:

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

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other person (other than Directors or chief executive of the Company) have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

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

The financial risk management objectives and policies of the Group can be found in note 24 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

The Group's related parties transactions for the year ended 31 December 2019 set out in note 26 to the consolidated financial statements constitute continuing connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in chapter 14A of the Listing Rules.

Details of the continuing connected transactions of the Group with Sanyang (an indirect substantial Shareholder of the Company) and the Sanyang Group are as follows:

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

	2019 ***US$***	2018 *US$*
Master Purchase Agreement [1]	**10,826,883**	13,284,154
Distributorship Agreement [2]	**2,304,048**	2,637,616
Technology Licence Agreement [3]	**1,276,535**	1,513,924

Notes:

1. On 12 November 2018, the Group and the Sanyang Group entered into the Master Purchase Agreement in relation to purchase of motorbike parts by the Group from members of the Sanyang Group. In accordance with the Master Purchase Agreement, the annual cap shall be US$11,100,000, US$12,110,000 and US$12,700,000 in 2019, 2020 and 2021 respectively. Details of the Master Purchase Agreement were set out in the circular of the Company dated 10 January 2019 (the "2019 Circular").

2. On 12 November 2018, the Group and the Sanyang Group entered into the Distributorship Agreement in relation to the Group as the exclusive distributor of motorbikes and related parts manufactured by Sanyang Group in all of the member countries of the Association of South East Asian Nations (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes). In accordance with the Master Purchase Agreement, the annual cap shall be US$3,301,000, US$3,603,000 and US$3,603,000 in 2019, 2020 and 2021 respectively. Details of the Distributorship Agreement were set out in the 2019 Circular of the Company.

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

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

	2019 US$	2018 US$
Research and Development Agreement [1]	**29,330**	2,576,694
Parts Sales Agreement [2]	**1,188,103**	657,454
Production Machinery, Moulds and Equipment Purchase Agreement [3]	**231,277**	579,098

Notes:

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

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

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

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

For the year ended 31 December 2019, the actual transaction amount for each of the abovementioned continuing connected transactions has not exceeded the respective annual cap of the relevant transactions as approved by the Board or the independent Shareholders (as the case may be).

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

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 22 to 23 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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 its continuing connected transactions conducted during the year ended 31 December 2019 has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

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

MANAGEMENT CONTRACTS

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

MERGER AND ACQUISITIONS OF SUBSIDIARIES

Duc Phat Molds Inc., a subsidiary of the Group, was approved by Vietnam government to merge with VMEP, a wholly-owned subsidiary of the Group on 8 May 2019.

VMEP acquired 99.66% of the equity interest of Dinh Duong, a company incorporated in Vietnam, at the total consideration of Vietnam Dong 29,250,000,000 (equivalent to US$1,258,000) on 10 May 2019. Details of other changes in relation to Dinh Duong during the year are set out under the paragraph headed “Material Acquisitions” on page 8 of this annual report.

Save as disclosed above, for the year ended 31 December 2019, the Group had no acquisition or disposal of subsidiaries and associated companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group. Information on the environmental and social responsibility of the Group is set out in the “Environmental, Social and Governance Report” on pages 25 to 35 of this annual report.

AUDITOR

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

By order of the Board
Liu Wu Hsiung
Chairman

Hong Kong, 27 March 2020

ABOUT THIS REPORT

This report is prepared with reference to the "Environmental, Social and Governance ("ESG") Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The scope of this report covers management policies, commitments, managerial guidelines, compliance with laws and regulations in respect of the environment, social and governance for the Group's major operational locations in Vietnam, including production plants in Bien Hoa City and Nhon Trach Industrial Zone II of Dong Nai Province and a production plant in Ha Tay Province, as well as some key projects and measures implemented for the year. Those for the subsidiaries are not included in this report since revenues of the subsidiaries account for only minor portion of the Company's operating revenue.

ESG RISKS AND OPPORTUNITIES

In addition to risks associated with the consumer market and the economy, the Group was also confronted with some risks associated with the environment and the community. First, Vietnam is tightening up its air pollution emission standards for vehicles and motorbikes. Besides, owing to accelerating urbanization and social transition of Vietnam in the past 20 years, the Group's production plants in Dong Nai Province and Ha Tay Province were forced to move to industrial zones designated by the government in succession. In particular, the production plants in Bien Hoa City of Dong Nai Province have relocated to Nhon Trach Industrial Zone II in the same province and commenced operation since December 2019. Vietnam is also making its labor-related laws and regulations governing salary, labor conditions and so forth stricter, couple with a rise in the statutory minimum wage year by year. Such changes in the above mentioned decrees and norms may directly cause an increase in our production and technology costs.

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

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

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

1. ENVIRONMENTAL PROTECTION AND SAFETY

Environmental Protection and Safety Management System

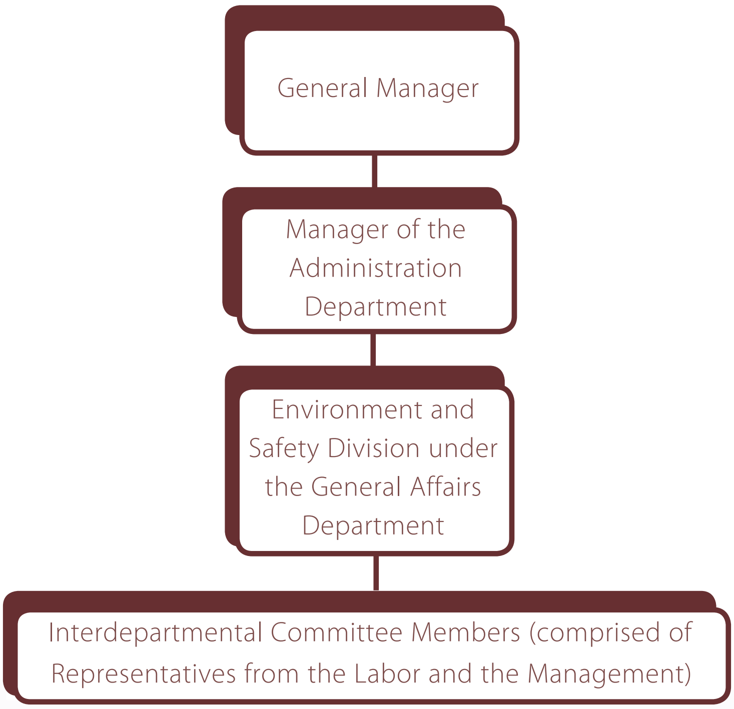
The Group complies with requirements of the ISO14001 Environment Management System to establish a complete environment management system and pass its certification, so as to ascertain supervision and measurement over its daily operation execute internal audit and propose correction and precaution measures, set targets for continued improvement and ensure satisfaction of environmental protection policies and targets as scheduled.

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

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

The Group's management policies measures in respect of environment and safety issues are detailed in Section 1.1–1.4 below.

Structure of the Safety and Hygiene Committee



1.1. Air Pollutants

Volatile Organic Compound (VOC) wasted gases generated in the process of plastics coating are the gravest and the most potentially hazardous air pollutants during the daily operation of the Group. The wasted gases from the coating process if not completely gathered and treated, may cause pollution to the Group internally or to the surrounding environment, or even spread further to causing pollution to the whole district while endangering the health of our front-line staffs and that of residents in the vicinity. According to the data collected by the Group, the VOC emission generated in the Group's operational activities for the year ended 31 December 2019 has been decreased 0.76% compared with the year 2018.

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

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

To effectively bring emission of wasted gases under control, the Group has drawn up an annual inspection plan, under which regular inspections are conducted quarterly on items like Toluen, a wasted gas from the coating process, ashes (or smoke concentration), etc., and an assessment report is prepared according to findings of the inspections as a basis for improvement of quality of emission of wasted gases. The inspection findings for 2019 all conformed to national standards and relevant laws and regulations. For the year ended 31 December 2019, the Group reported no significant non-compliance matter related to air pollution.

Further detailed data of greenhouse gas emissions is as follows:

	Emissions	Intensity
CO_2 (tonne)	9,490,534	81.24
SO_2 (tonne)	2,487	0.02
NO_x (tonne)	68,427	0.59
VOC (tonne)	29,099	0.25

1.2. Wastes and Wasted water

1.2.1. Management of wastes

Hazardous wastes generated in the course of operation of the Group can be classified into several major categories, namely paint residues, sludge, wasted oils and wasted cloths. For the year ended 31 December 2019, the hazardous waste production generated by the Group increased from 353,326 kilogram in 2018 to 682,246 kilogram in 2019. Such increase was primarily attributable to the substantial increase in total waste produced during the year as a result of relocation of plants which a considerable amount of waste generated from the re-assessment of non-recyclable items by all departments.

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

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

As for ordinary domestic refuse, the principle of recycling and separation for centralized treatment is applied equally to reduce wastage and elevate recycling rate. For the year ended 31 December 2019, the Group reported no significant non-compliance matter related to disposal of wastes.

Further detailed data of hazardous waste is as follows:

	Emissions	Intensity
Hazardous waste (kg)	448,552	3.84
Non-hazardous waste (kg)	233,724	2.00
Total (kg)	682,246	5.84

1.2.2. Management of Wasted Water

The Group's plant in Bien Hoa City of Dong Nai Province is located at Section 5, Tam Hiep Ward, Bien Hoa City, part of the drainage area of the Dong Nai River, the water source serving the population of Bien Hoa City and Ho Chi Minh City. During 2019, the plant was relocated to Lot 4, Road 5C, Nhon Trach Industrial Zone II in Dong Nai Province, which is also situated along the basin of Dong Nai River; the Group's plant in Ha Tay Province is located at Le Trong Tan, La Khe, Ha Dong, Ha Noi, part of the drainage area of the Hanoi River, the water source serving the population of Ha Dong and the whole Hanoi City. Given that the wasted water emitted from the related plants is of significant concerns as to the health and the safety of residents there, industrial wasted water emitted from the Group's plants is subject to stringent regulation by respective governments that the sewage emitted must tally with national standards.

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

The Group sets targets for its sewage emission annually and maintains a 24-hour surveillance over the water quality of the wasted water emitted, which covers items like Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Suspended Solids (SS), etc. Local Environmental Protection Offices would conduct regular examinations on the water quality of the wasted water emitted. For the year ended 31 December 2019, the Group's wasted water emitted from its plant zones all conformed to national standards and relevant laws and regulations, and the Group reported no significant non-compliance matter related to emission of wasted water.

1.3. Energy Saving and Water Saving Measures

Primary energy and resources used in the course of production of the Group involve electricity, gasoline, diesel fuel, natural gas, tap water and underground water. For the year ended 31 December 2019, the electricity consumption increased from 11,622,659 kwh in 2018 to 13,106,600 kwh in 2019, primarily attributable to the increased consumption of electricity from the operation of production facilities. The Group will continue to improve its energy saving practices by, among others, strengthening the control on electricity consumption and the manufacturing of production facilities.

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

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

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

Further detailed data of energy consumption and consumption of resources is as follows:

Item	**Detail**	**Emissions**	**Intensity**
Gasoline	Diesel fuel (liter)	471,165	4.03
	Gasoline (liter)	89,333	0.76
Electricity	Electricity (Kwh)	13,106,600	112.19
Gas	Liquefied Petroleum Gas (Kg)	56,054	0.48
Water	Tap water (m^3)	177,484	1.52
	Underground water (m^3)	21,958	0.19
Packaging Material	Paper (Kg)	545,022	4.67
	Packaging film (Kg)	44,698	0.38

1.4. Occupational Health and Safety

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

To ensure the occupational health and safety of our frontline staffs, the Group's Safety and Hygiene Committee would lay down its annual "Labor Protection Plan" to appropriate budget for protective gear for staffs, such as gloves, masks and protective uniforms for use by staffs, which can effectively prevent them from main causes of damages and poisons often happening at workplaces; and for improvement works of, say, restaurant and plant renovation projects.

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

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

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

- Annual body checks for general staffs to comprehend their health conditions and materialize management by grading with post re-designation as the case may be; and conduct checks on occupational disease for staffs serving at special posts. Based on the findings of the checks in 2019, no staff was found suffering from occupational disease

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

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

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

For the year ended 31 December 2019, the Group has complied with all relevant laws and regulations and reported no significant non-compliance matter related to occupational health and safety.

2. PRODUCT RESPONSIBILITY

2.1. Product Quality Control

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

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

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

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

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

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

The Group has the "Recalling and Correcting Defective Goods Methods" in place as the corporate policies for units concerned to abide by in case of handling quality issues. For the year ended 31 December 2019, the Group has complied with all relevant laws and regulations and reported no significant non-compliance matter related to quality and product recall issues.

2.2. Management of Suppliers

The Group's suppliers are mainly from Vietnam, Taiwan, Thailand, China and other countries, and major components and assemblies include frames, engines, envelopes, electric parts (such as luminaire), etc. The ESG risks of marked suppliers mainly include manufacturers involving an electroplating process that may have potential impact on the environment.

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

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

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

2.3. Maintaining Customer Relationship

2.3.1. Dealers

The Group must rely on local Vietnamese and overseas dealers to market its products and therefore it pays much attention to customers' opinions and feedbacks such that there are responsible unit officers in charge of product development and design, product delivery and maintenance services and other aspects to effect customer visits and routine communications in accordance with our "Benchmarks for Customer Services and Customer Satisfaction Management and Operation" to comprehend customers' needs and their expectations on products.

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

To ensure that our dealers provide quality sales and after-sales services, the Group has formulated the "Operational Benchmarks for Handling the Request Form for use by Dealer" and the "Operational Benchmarks for Warranties" to augment the quality requirements proposed by dealers during the manufacturing process and the warranty services provided after delivery. Besides, the Group would conduct regular assessments on dealers quarterly and the results of which are used as the basis for dealer improvement and for counseling or subsidy provided by the Company.

2.3.2. Market and Consumers

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

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

2.4. Products and services responsibility

For the year ended 31 December 2019, the Group was not aware of any incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising, promotion and sponsorship, and property rights including intellectual property rights that have a significant impact on the Group.

3. CARING FOR THE STAFF

3.1. Remuneration and Benefits

3.1.1. Employment and Pay

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

The Group draws up its "Management Methods for Recruitment and Appointment" based on labor-related decrees, which stipulate clearly the principle for staff recruitment and appointment, labor rights and obligations, wages and benefits and other contents. The hiring of Vietnamese and foreign staffs by the Group is proceeded strictly pursuant to local decrees and norms. Furthermore, the Group views its employees as significant human resources and capital, except in the case of severe breach of conduct, the Group does not execute instant termination of employment contract with employees. In the case of justifiable dismissal, the terminated employee is entitle to compensation according to local labor laws. For the year ended 31 December 2019, the Group reported no significant non-compliance matter related to employment.

The Group remunerates its staffs according to their respective academic qualifications and background, professional knowledge and skills, professional seniority and experience and individual performance. The salary of a staff does not vary with his/her gender, ethnicity, religion, political stance, marriage conditions, labor union or association. In order to ensure a stable supply of manpower, lower staff turnover costs and risks and provide the staff with a better life, the Group hires its staffs at a benchmark salary approximately 17% higher than the statutory minimum wage set by the government. Apart from basic salary, the Group offers year-end bonus, Labor Day and National Day bonuses and other variable remuneration to timely motivate staffs to attain better results.

3.1.2. Benefit Items

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

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

3.2. Labor Environment

The Group endeavors to create a harmonic, comfortable and safe workplace that welfare facilities within plant zones are diversified and complete, including staff dormitory, restaurant, recreation centre, convenience shop for staff, clinic manned with professional medical personnel. The Group complies severely with labor-related norms in Vietnam and bans hiring of child labor and forced labor. For the year ended 31 December 2019, the Group reported no significant non-compliance matter related to labor standards.

The Group holds a morning assembly every day, during which all units communicate with their respective staffs on key work-related matter for the day, and staffs may bring up opinions or feedback, or engage in face-to-face discussion with the unit head on problems they may encounter.

To safeguard work-related interests of staff, strive for a desirable workplace and in the meantime secure a smooth communication between the labor and the management, the Group has formed the labor union according to law, which holds meetings quarterly to review staff-related welfare measures and staff safety and all significant work-related matters. The 15 representatives of the committee of the labor union are collectively elected and appointed by the staff for a term of office of five years. In 2019, the Group's labor union organized activities such as the football match for staffs in 2019, the gift presenting at the International Women's Day, the monthly staff birthday celebrations, regular visits to staffs falling ill, having a baby or victimized in traffic accidents and so on.

Besides, the Group holds the annual "Laborers' Meeting", during which staffs may propose relevant labor polices to representatives of the Company, or the Company may commend outstanding staffs with rewards to recognized the contributions they made.

3.3. Training and Development

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

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

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

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

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

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

- Language training: Chinese, Vietnamese training

In 2019, the Group organized a variety of training courses, which, apart from basic fire-control, industrial safety at plants, labor safety and hygiene, ISO Quality Management and environmental protection system related courses, included also CIC Training, trainings on operating forklift trucks and equipment safety and so on. The Group also encourages staffs to apply for skill verifications and obtain certifications.

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

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

3.4. Anti-corruption

3.4.1. Anti-corruption Policies

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

To materialize strengthening work disciplines for staffs, give play to team spirit, elevate work efficiency and operational effectiveness, the Group makes staff discipline a key item in the educational training for new recruits and all the staff are required to receive training courses on rule of law, industrial safety and information safety. New norms, once issued by competent authorities, are communicated through notices, propaganda seminars and educational trainings and in other manners to the staff, allowing them to learn about relevant stipulations they should observe. For the year ended 31 December 2019, the Group has complied with all relevant laws and regulations and reported no significant malpractice or bribery or dereliction of duty in breach of relevant decrees and norms.

3.4.2. Internal Audit

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

For the year ended 31 December 2019, the Group's audit unit has carried out routine audits in respect of nine aspects, namely procurement and payment, production, research and development, salary and wage, fixed assets, sales and receipts, financing, investment and e-information processing. It has also engaged in audits in respect of four key business projects and spotted no significant non-compliance or corruption related matter.

4. COMMUNITY INVESTMENT

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

The Company introduces a community involvement structure in relation to corporate social responsibility and propels comprehensive community investment work in three major dimensions covering environmental protection, community involvement and education and culture, so as to deliver in full its social responsibility. The Group's investment in community public welfare activities amounts to approximately 1.0 billion Vietnamese dong (equivalent to approximately US$42,500) per year, and key dimensions of which are described as follows:

Environmental protection	• Advancing the ISO14001Envrionment Management System • R&D of oil-saving motorbike types • Continued investment in processing equipment for domestic sewage, wasted gases and so on
Community involvement	• Continued advancement of care for orphans, the elderly and patients in the surrounding areas of our plant zones • Donating cattle to farmers to improve their lives • Advancing bridge building and road paving in rural areas • Forging a harmonic community and advancing public drainage and cleaning activities
Education and culture	• Donating bursaries/scholarships to needy students • Cooperating with the education sector to offer practicing opportunities for specialized schools • Sponsoring government educational and cultural activities, sports and matches for the disabled; and providing study tools for orphans adopted

The Group had sponsored the construction of 100 cement bridges in Mekong Delta in the past to improve the transport and thus the economy for farmers in the rural areas. In 2019, the Group's key activities under community investment included donating study tools to needy students, sponsoring road paving works, visiting the Home for the Blind and donating gifts, sponsoring compassionate houses for the poor to improve their living conditions, sponsoring the work of Fu Shin association in constructing a harmonic community and in looking after the poor in the community.

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

OPINION

We have audited the consolidated financial statements of Vietnam Manufacturing and Export Processing (Holdings) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 40 to 100, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Impairment assessment of other property, plant and equipment, right-of-use assets and prepayments for other property, plant and equipment

Refer to note 11 to the consolidated financial statements and the accounting policies in note 2(i)(ii).

The Key Audit Matter

As at 31 December 2019, the carrying values of the other property, plant and equipment, right-of-use assets and prepayments for other property, plant and equipment ("Motorbike non-current assets") amounted to US$11.5 million.

In view of the losses incurred by the Group over the past few years, management considered that indicators of potential impairment of the Group's Motorbike non-current assets existed at the reporting date.

Management performed impairment assessments of the Group's Motorbike non-current assets by comparing their carrying values with the recoverable amounts to determine the amount of impairment loss which should be recognised for the year. The recoverable amount is the higher of their value-in-use and fair value less costs of disposals of the related assets.

In order to determine the recoverable amounts, management prepared discounted cash flow forecasts and engaged independent external valuers to perform the valuations of Motorbike non-current assets.

The preparation of discounted cash flow forecasts involves significant management judgement, particularly in estimating the future revenue growth rates, future cost of sales and other operating expenses and discount rate applied all of which can be inherently uncertain.

The valuations prepared by the independent external valuers also involves significant judgement in respect of the assumptions applied in the valuations.

We identified impairment assessment of the Group's Motorbike non-current assets as a key audit matter because determining the level of impairment, if any, involves forecasting and discounting future cash flows and estimating the recoverable amounts of the Motorbike non-current assets all of which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of Motorbike non-current assets included the following:

– evaluating management's process and procedures for the identification of indicators of potential impairment of the Group's Motorbike non-current assets;

– evaluating the methodology used by management in the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards;

– challenging the key estimates and assumptions adopted in the discounted cash flow forecasts, in particular with relation to the future revenue growth rates and future cost of sales and other operating expenses, by comparing these with historical performance and the budget and forecasts approved by the directors;

– performing a retrospective review by comparing the future revenue growth rates and future cost of sales and other operating expenses included in the discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified;

– engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cash flow forecasts was within the range adopted by other companies in the same industry;

– performing sensitivity analyses of key assumptions, including the discount rate, the future revenue growth rates and future cost of sales and other operating expenses, and considering the resulting impact on the conclusion reached by management and whether there were any indicators of management bias;

– obtaining and inspecting the valuation report prepared by the external valuers engaged by management; and

– assessing the external valuers' independence, experience, competence, capability and objectivity and evaluating whether the methodology adopted by the external valuers was consistent with the requirements of recognised industry standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019
(Expressed in United States dollars)

	Note	2019 US$	2018 (Note) US$
Revenue	4	**99,499,318**	91,546,757
Cost of sales		**(94,127,826)**	(93,877,160)
Gross profit/(loss)		**5,371,492**	(2,330,403)
Other income	5	**368,428**	281,646
Distribution costs		**(5,886,848)**	(6,042,394)
Technology transfer fees	26(a)(iv)	**(1,276,535)**	(1,513,924)
Administrative and other operating expenses		**(9,565,931)**	(13,710,438)
Results from operating activities		**(10,989,394)**	(23,315,513)
Finance income		**2,471,854**	3,852,117
Finance costs		**(826,688)**	(760,696)
Net finance income	6(a)	**1,645,166**	3,091,421
Impairment loss on other property, plant and equipment	6(c)	**(5,913,295)**	(11,144,183)
Impairment loss on prepayments for other property, plant and equipment	6(c)	**(1,379,586)**	–
Impairment loss on lease prepayments	6(c)	**–**	(9,089,794)
Impairment loss on right-of-use assets	6(c)	**(995,047)**	–
Share of profit/(loss) of an associate	13	**61,787**	(50,685)
		(8,226,141)	(20,284,662)
Loss before taxation	6	**(17,570,369)**	(40,508,754)
Income tax expense	7(a)	**(23,880)**	(1,333,919)
Loss for the year		**(17,594,249)**	(41,842,673)

The notes on pages 45 to 100 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2019
(Expressed in United States dollars)

	Note	2019 US$	2018 (Note) US$
Other comprehensive income for the year (after tax):			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries and an associate		**35,312**	(1,832,092)
Total comprehensive income for the year		**(17,558,937)**	(43,674,765)
Loss for the year attributable to:			
Equity shareholders of the Company		**(17,594,257)**	(41,842,673)
Non-controlling interests		**8**	–
		(17,594,249)	(41,842,673)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(17,558,945)**	(43,674,765)
Non-controlling interests		**8**	–
		(17,558,937)	(43,674,765)
Loss per share			
– basic and diluted	10	**(0.02)**	(0.05)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 45 to 100 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2019
(Expressed in United States dollars)

	Note	2019 US$	2018 (Note) US$
Non-current assets			
Investment properties	11	4,214,515	–
Other property, plant and equipment	11	3,199,305	3,324,760
Interest in an associate	13	544,900	482,437
Other non-current prepayments		–	628,727
Deferred tax assets	20(b)	29,864	–
		7,988,584	4,435,924
Current assets			
Inventories	14	23,320,944	24,571,587
Trade receivables, other receivables and prepayments	15	25,883,043	22,446,972
Cash and bank balances	16	52,028,047	63,732,793
Current tax recoverable	20(a)	–	23,938
		101,232,034	110,775,290
Current liabilities			
Trade and other payables	17	14,716,024	13,392,333
Bank loans	18	27,943,369	18,925,591
Lease liabilities	19	18,194	–
Current tax payable	20(a)	40,102	22,763
Provisions	21	1,012,190	737,757
		43,729,879	33,078,444
Net current assets		57,502,155	77,696,846
Total assets less current liabilities		65,490,739	82,132,770
Non-current liabilities			
Lease liabilities	19	925,636	–
Deferred tax liabilities	20(b)	–	13,037
		925,636	13,037
NET ASSETS		64,565,103	82,119,733
Capital and reserves			
Share capital	22(b)	1,162,872	1,162,872
Reserves		63,397,916	80,956,861
Total equity attributable to equity shareholders of the Company		64,560,788	82,119,733
Non-controlling interests		4,315	–
TOTAL EQUITY		64,565,103	82,119,733

Note: The Group has initially applied IFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

Approved and authorised for issue by the Board of Directors on 27 March 2020.

Lin, Chih-Ming
Director

Lin, Chun-Yu
Director

The notes on pages 45 to 100 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(Expressed in United States dollars)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Balance at 1 January 2018	1,162,872	112,198,709	1,962,666	(33,625,439)	237,708	43,857,982	125,794,498	–	125,794,498
Changes in equity for 2018:									
Loss for the year	–	–	–	–	–	(41,842,673)	(41,842,673)	–	(41,842,673)
Other comprehensive income	–	–	–	(1,832,092)	–	–	(1,832,092)	–	(1,832,092)
Total comprehensive income	–	–	–	(1,832,092)	–	(41,842,673)	(43,674,765)	–	(43,674,765)
Transfer statutory reserves to retained profits	–	–	–	–	(237,708)	237,708	–	–	–
Balance at 31 December 2018	1,162,872	112,198,709	1,962,666	(35,457,531)	–	2,253,017	82,119,733	–	82,119,733
Balance at 1 January 2019	1,162,872	112,198,709	1,962,666	(35,457,531)	–	2,253,017	82,119,733	–	82,119,733
Changes in equity for 2019:									
Loss for the year	–	–	–	–	–	(17,594,257)	(17,594,257)	8	(17,594,249)
Other comprehensive income	–	–	–	35,312	–	–	35,312	–	35,312
Total comprehensive income	–	–	–	35,312	–	(17,594,257)	(17,558,945)	8	(17,558,937)
Increase in non-controlling interests upon acquisition of a subsidiary	–	–	–	–	–	–	–	4,307	4,307
Transfer retained profits to statutory reserves	–	–	–	–	22,783	(22,783)	–	–	–
Balance at 31 December 2019	1,162,872	112,198,709	1,962,666	(35,422,219)	22,783	(15,364,023)	64,560,788	4,315	64,565,103

The notes on pages 45 to 100 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(Expressed in United States dollars)

	Note	2019 US$	2018 US$
Operating activities			
Loss before taxation		(17,570,369)	(40,508,754)
Adjustments for:			
Interest income	6(a)	(2,471,854)	(3,852,117)
Amortisation of lease prepayments and intangible assets	6(c)	–	273,718
Depreciation of property, plant and equipment	6(c)	219,730	5,245,875
Impairment losses on other property, plant and equipment	6(c)	5,913,295	11,144,183
Impairment loss on lease prepayments	6(c)	–	9,089,794
Impairment loss on prepayments for other property, plant and equipment	6(c)	1,379,586	–
Impairment loss on right-of-use assets	6(c)	995,047	–
Net gain on disposal of other property, plant and equipment	5	(134,610)	(44,757)
Interest expenses	6(a)	796,130	684,050
Share of (profit)/loss of an associate		(61,787)	50,685
Foreign exchange loss/(gain)		218,931	(1,734,369)
		(10,715,901)	(19,651,692)
Changes in working capital:			
Decrease/(increase) in inventories		1,250,643	(5,571,304)
Increase in trade receivables, other receivables and prepayments		(4,524,112)	(2,789,462)
Increase in trade and other payables		1,323,691	1,310,385
Increase/(decrease) in provisions		273,084	(69,030)
Cash used in operations		(12,392,595)	(26,771,103)
Income tax paid		(24,481)	(6,488)
Net cash used in operating activities		(12,417,076)	(26,777,591)
Investing activities			
Interest received		3,559,895	4,492,218
Proceeds from disposal of other property, plant and equipment		134,610	46,209
Payment for purchase of other property, plant and equipment and investment properties		(8,929,504)	(7,327,446)
Payment for other non-current prepayments		(1,379,586)	(627,803)
Decrease in time deposits maturing after three months		2,142,928	54,391,006
Net cash outflow for acquisition of a subsidiary	23	(629,834)	(4,164,034)
Net cash (used in)/generated from investing activities		(5,101,491)	46,810,150
Financing activities			
Proceeds from borrowings	16(b)	62,118,895	52,357,908
Repayment of borrowings	16(b)	(53,299,274)	(56,297,508)
Capital element of lease rental paid	16(b)	(69,678)	–
Interest element of lease rental paid	16(b)	(68,888)	–
Other borrowing costs paid	16(b)	(727,242)	(684,050)
Net cash generated from/(used in) financing activities		7,953,813	(4,623,650)
Net (decrease)/increase in cash and cash equivalents		(9,564,754)	15,408,909
Cash and cash equivalents at 1 January		28,578,446	13,356,314
Effect of foreign exchange rate changes		2,936	(186,777)
Cash and cash equivalents at 31 December	16	19,016,628	28,578,446

The notes on pages 45 to 100 form part of these financial statements.

1 REPORTING ENTITY

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current 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 2019 comprise the Company and its subsidiaries and the Group's interest in an associate.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

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

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

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

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

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

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

(ii) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempted. As far as the Group is concerned, these newly capitalised leases are primarily in relation to "other property, plant and equipment". For an explanation of how the Group applies lessee accounting, see note 2(h).

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

(Expressed in United States dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

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

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

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

The following table reconciles the operating lease commitments as disclosed in note 25(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint operations

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

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

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

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

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

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

(f) Investment properties

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment

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

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

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

– right-of-use assets arising from prepaid land lease rental and related costs; 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(t)). Once completion, the assets under construction are transferred to other categories within other property, plant and equipment. Assets under constructions are stated at historical cost less impairment losses.

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

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

–	Leasehold land	30 – 50 years
–	Buildings held for own use	over the lease terms or 8 – 30 years
–	Machinery, moulds and equipment	2 – 12 years
–	Office equipment, furniture and fittings	4 – 10 years
–	Electrical, water and utility systems	5 – 10 years
–	Motor vehicles	5 – 7 years

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

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

(h) Leased assets

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

As a lessee

(A) Policy applicable from 1 January 2019

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

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

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

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

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and 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, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– investment properties;

– other property, plant and equipment, including right-of-use assets; and

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(iii) Interim financial reporting and impairment

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

(j) Inventories

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

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

– Motorbike manufacturing

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

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

– Properties for sale

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

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

(k) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(l) Interest-bearing borrowings

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other payables and contract liabilities

(i) Trade and other payables

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

(ii) Contract liabilities

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

(n) Cash and cash equivalents

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

(o) Employee benefits

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

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

(ii) Termination benefits

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

(p) Income tax

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) Provisions and contingent liabilities

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

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.

(r) Revenue and other income

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue and other income (Continued)

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

(i) Sales of goods

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

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

(ii) Rendering of services

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

(iii) Dividend income

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

(iv) Interest income

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

(v) Rental income from operating leases

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

(s) Translation of foreign currencies

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Borrowing costs

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

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

(u) Related parties

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

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

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

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

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

(v) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

(a) Impairment loss on other property, plant and equipment, right-of-use assets and prepayments for other property, plant and equipment ("Motorbike non-current assets")

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

(b) Loss allowances on trade receivables

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

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

(c) 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 vary significantly as a result of competitor actions in response to severe industry cycles or other changes in market conditions. Management reassesses the estimations at the end of each reporting period.

(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.

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

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

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

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

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

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

The Group's customer base is diversified and includes one customer (2018: two customers) with whom transactions have respectively exceeded 10% of the Group's revenue. During the year ended 31 December 2019, revenue from sales of motorbikes to the customers was as follows:

	2019 *US$*
Customer A	**24,298,005**

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

Details of concentration of credit risk arising from the customers are set out in note 24(a).

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

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

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

- Moulds and repair services: the Group manufactures and maintains moulds used for making metal parts, for example, by die-casting and pressing. The majority of the Group's moulds are specially made for internal use, producing parts for the Group's products. The Group also manufactures a small number of moulds for external sale to its domestic suppliers and to domestic manufacturers unrelated to the production of parts for the Group's products.

Segment results

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

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

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

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

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

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

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results (Continued)

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

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

Note: The Group has initially applied IFRS 16 using modified retrospective approach. Under this approach, the comparable information is not restated. See note 2(c).

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results (Continued)

(ii) Geographic information

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

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

5 OTHER INCOME

	2019	2018
	US$	*US$*
Net gain on disposal of other property, plant and equipment	**134,610**	44,757
Others	**233,818**	236,889
	368,428	281,646

(Expressed in United States dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION

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

(a) Net finance income

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

(b) Staff costs

	2019 US$	2018 US$
Contributions to defined contribution retirement plans	**1,372,500**	1,337,371
Severance pay allowance *(note 21)*	**521,306**	20,009
Salaries, wages and other benefits	**13,577,042**	11,418,444
	15,470,848	12,775,824

Description of the defined contribution retirement plan

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

(Expressed in United States dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION (Continued)

(c) Other items

	2019 US$	2018 US$
Amortisation of lease prepayments and intangible assets	**–**	273,718
Depreciation of property, plant and equipment		
– other property, plant and equipment	**171,015**	5,245,875
– right-of-use assets *(note (i))*	**16,086**	–
– investment properties	**32,629**	–
	219,730	5,245,875
Write-down of inventories *(note 14(b))*	**427,559**	2,151,948
Impairment loss on other property, plant and equipment *(note 11(c))*	**5,913,295**	11,144,183
Impairment loss on lease prepayments *(note 12)*	**–**	9,089,794
Impairment loss on prepayments for other property, plant and equipment *(note 11(c))*	**1,379,586**	–
Impairment loss on right-of-use assets *(note 11(c))*	**995,047**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17 *(note (i))*	**1,164**	142,441
Auditors' remuneration	**414,590**	409,670
– Audit services	**411,656**	377,019
– Other services	**2,934**	32,651
Research and development expenses *(note (ii))*	**3,630,590**	7,457,010
Cost of inventories *(note (iii)) (note 14(b))*	**94,127,826**	93,877,160

Note:

(i) The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in lease prepayments is also identified as right-of-use assets. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c). Total minimum lease payments for leases for the year ended 31 December 2019 represented expense relating to leases of low-value assets.

(ii) Research and development expenses include amounts relating to technology transfer fees, staff costs, depreciation and amortisation expenses, and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses. No development expenditure was capitalised during the years ended 31 December 2019 and 2018.

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

(Expressed in United States dollars unless otherwise indicated)

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

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

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

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax for the years ended 31 December 2019 and 2018.

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

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

In accordance with the Law of Foreign Investment of 1996, as amended in 2000, the Investment Law of 2006, and the Law on Corporate Income Tax of 2003 in Vietnam, the applicable tax rate for Duc Phat Molds Inc. is 20% from 2016 onwards.

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

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

In accordance with the Corporate Income Tax Law of Taiwan, as amended in 2019, the applicable tax rate for Chin Zong Trading Co., Ltd. ("Chin Zong") is 20% (2018: 20%), if the taxable profit is above new Taiwan Dollar ("NT$") 120,000. Income tax is exempt if the taxable profit is below NT$120,000.

(Expressed in United States dollars unless otherwise indicated)

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

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

	2019 *US$*	2018 *US$*
Loss before taxation	**(17,570,369)**	(40,508,754)
Notional tax on loss before taxation, calculated at the rates applicable to profit or loss in the countries concerned	**(3,119,417)**	(6,057,900)
Tax effect of non-deductible expenses	**1,801,729**	4,057,337
Tax effect of non-taxable income	**(59,996)**	(86,261)
Tax effect of unused tax losses not recognised	**1,401,823**	2,152,394
Tax effect of reversal of temporary differences recognised in prior years	**–**	1,268,349
Over-provision in prior year	**(259)**	–
Actual tax expense	**23,880**	1,333,919

8 DIRECTORS' EMOLUMENTS

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

	Salaries, allowances and benefits in kind *US$*	**Discretionary bonuses** *US$*	**Directors' fees** *US$*	**Contributions to defined contribution retirement plans** *US$*	**2019 Total** *US$*
Chairman:					
Liu, Wu-Hsiung	**44,409**	**–**	**–**	**–**	**44,409**
Executive directors:					
Lin, Chun-Yu	**68,745**	**2,983**	**–**	**–**	**71,728**
Chiang, Chin-Yung	**58,746**	**–**	**–**	**–**	**58,746**
Lin, Chih-Ming	**80,000**	**3,266**	**–**	**–**	**83,266**
Non-executive directors:					
Chiu, Ying-Feng	**–**	**–**	**3,000**	**–**	**3,000**
Wu, Li-Chu	**–**	**–**	**3,000**	**–**	**3,000**
Independent non-executive directors:					
Shen, Hwa-Rong	**–**	**–**	**25,000**	**–**	**25,000**
Lin, Ching-Ching	**–**	**–**	**25,000**	**–**	**25,000**
Wu, Kwei-Mei	**–**	**–**	**25,000**	**–**	**25,000**
	251,900	**6,249**	**81,000**	**–**	**339,149**

(Expressed in United States dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (Continued)

	Salaries, allowances and benefits in kind	Discretionary bonuses	Directors' fees	Contributions to defined contribution retirement plans	2018 Total
	US$	*US$*	*US$*	*US$*	*US$*
Chairman:					
Liu, Wu-Hsiung	45,497	–	–	–	45,497
Executive directors:					
Lu, Tien-Fu (resigned on 31 May 2018)	40,721	2,088	–	–	42,809
Lin, Chun-Yu	70,171	3,062	–	–	73,233
Chiang, Chin-Yung (appointed on 13 August 2018)	24,428	–	–	–	24,428
Lin, Chih-Ming (appointed on 13 August 2018)	68,877	3,070	–	–	71,947
Non-executive directors:					
Chiu, Ying-Feng	–	–	3,000	–	3,000
Wu, Li-Chu	–	–	3,000	–	3,000
Independent non-executive directors:					
Shen, Hwa-Rong	–	–	25,000	–	25,000
Lin, Ching-Ching	–	–	25,000	–	25,000
Wu, Kwei-Mei	–	–	25,000	–	25,000
	249,694	8,220	81,000	–	338,914

The emoluments of each individual director are within the band of HK$Nil to HK$1,000,000 for both years ended 31 December 2019 and 2018.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: two are directors) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2018: three) individuals are as follows:

	2019	2018
	US$	*US$*
Salaries and other benefits	**220,748**	221,778
Discretionary bonuses	**9,096**	9,714
	229,844	231,492

The emoluments of the three (2018: three) individuals with the highest emoluments are within the band of HK$Nil to HK$1,000,000 for both years ended 31 December 2019 and 2018.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of US$17,594,257 (2018: US$41,842,673) and the weighted average of 907,680,000 (2018: 907,680,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The amount of diluted loss per share is the same as the basic loss per share for the year ended 31 December 2019 (2018: same) as there were no potential dilutive ordinary shares in existence during the years ended 31 December 2019 and 2018.

(Expressed in United States dollars unless otherwise indicated)

11 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Other property, plant and equipment									
	Right-of-use assets	Buildings held for own use	Machinery, moulds and equipment	Office equipment, furniture and fittings	Electrical, water and utility systems	Motor vehicles	Assets under construction	Sub-total	Investment properties	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Cost										
At 1 January 2018	–	13,817,655	73,122,531	1,381,360	7,179,036	892,965	569,152	96,962,699	–	96,962,699
Additions	–	5,058	2,174,162	39,618	–	40,011	361,663	2,620,512	–	2,620,512
Transfer from assets under construction	–	–	487,546	–	–	–	(487,546)	–	–	–
Acquisition of a subsidiary *(note 23(b))*	–	5,290,855	5,935,267	55,199	–	127,802	56,531	11,465,654	–	11,465,654
Disposals	–	–	(294,881)	–	–	(3,201)	–	(298,082)	–	(298,082)
Written off	–	(4,675)	(3,783,403)	(40,416)	(70,283)	–	–	(3,898,777)	–	(3,898,777)
Exchange adjustments	–	(286,563)	(1,514,394)	(28,724)	(148,782)	(18,573)	(11,620)	(2,008,656)	–	(2,008,656)
At 31 December 2018	–	18,822,330	76,126,828	1,407,037	6,959,971	1,039,004	488,180	104,843,350	–	104,843,350
At 31 December 2018	–	18,822,330	76,126,828	1,407,037	6,959,971	1,039,004	488,180	104,843,350	–	104,843,350
Impact of initial application of IFRS 16 *(Note)*	12,166,326	–	–	–	–	–	–	12,166,326	–	12,166,326
At 1 January 2019	12,166,326	18,822,330	76,126,828	1,407,037	6,959,971	1,039,004	488,180	117,009,676	–	117,009,676
Additions	–	56,381	1,390,735	–	292,742	2,888	4,212,133	5,954,879	2,974,625	8,929,504
Transfer from assets under construction	–	1,762,212	353,332	–	–	–	(2,115,544)	–	–	–
Acquisition of a subsidiary *(note 23(a))*	–	–	–	–	–	–	–	–	1,261,973	1,261,973
Disposals	–	(137,603)	(4,904,666)	–	(70,855)	(56,301)	–	(5,169,425)	–	(5,169,425)
Written off	–	(11,710)	(2,737,897)	(85,218)	(12,869)	(1,383)	–	(2,849,077)	–	(2,849,077)
Exchange adjustments	13,156	19,013	67,490	1,285	8,175	985	10,208	120,312	10,628	130,940
At 31 December 2019	12,179,482	20,510,623	70,295,822	1,323,104	7,177,164	985,193	2,594,977	115,066,365	4,247,226	119,313,591
Accumulated depreciation and impairment losses										
At 1 January 2018	–	7,749,412	66,595,332	1,330,587	6,127,407	769,344	294,674	82,866,756	–	82,866,756
Acquisition of a subsidiary *(note 23(b))*	–	2,848,485	5,192,140	55,711	–	96,019	–	8,192,355	–	8,192,355
Written back on disposals	–	–	(294,881)	–	–	(2,115)	–	(296,996)	–	(296,996)
Written off	–	(4,309)	(3,783,403)	(40,416)	(70,283)	–	–	(3,898,411)	–	(3,898,411)
Charge for the year	–	226,914	4,715,405	24,687	229,627	49,242	–	5,245,875	–	5,245,875
Impairment loss	–	4,843,899	5,091,760	64,157	801,708	142,748	199,911	11,144,183	–	11,144,183
Exchange adjustments	–	(166,762)	(1,389,525)	(27,758)	(128,488)	(16,234)	(6,405)	(1,735,172)	–	(1,735,172)
At 31 December 2018	–	15,497,639	76,126,828	1,406,968	6,959,971	1,039,004	488,180	101,518,590	–	101,518,590
At 31 December 2018	–	15,497,639	76,126,828	1,406,968	6,959,971	1,039,004	488,180	101,518,590	–	101,518,590
Impact of initial application of IFRS 16 *(Note)*	11,153,737	–	–	–	–	–	–	11,153,737	–	11,153,737
At 1 January 2019	11,153,737	15,497,639	76,126,828	1,406,968	6,959,971	1,039,004	488,180	112,672,327	–	112,672,327
Written back on disposals	–	(137,603)	(4,904,666)	–	(70,855)	(56,301)	–	(5,169,425)	–	(5,169,425)
Written off	–	(11,710)	(2,737,897)	(85,218)	(12,869)	(1,383)	–	(2,849,077)	–	(2,849,077)
Charge for the year	16,086	152,252	18,719	44	–	–	–	187,101	32,629	219,730
Impairment loss	995,047	1,795,727	1,725,349	–	292,742	2,888	2,096,589	6,908,342	–	6,908,342
Exchange adjustments	14,612	15,038	67,489	1,285	8,175	985	10,208	117,792	82	117,874
At 31 December 2019	12,179,482	17,311,343	70,295,822	1,323,079	7,177,164	985,193	2,594,977	111,867,060	32,711	111,899,771
Net book value										
At 31 December 2019	–	3,199,280	–	25	–	–	–	3,199,305	4,214,515	7,413,820
At 31 December 2018	–	3,324,691	–	69	–	–	–	3,324,760	–	3,324,760

(Expressed in United States dollars unless otherwise indicated)

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

(a) Reconciliation of carrying amount (Continued)

Note: The Group has initially applied IFRS 16 using modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The Group also reclassified "lease prepayments" to right-of-use assets at 1 January 2019. See note 2(c).

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets, carried at depreciated cost, by class of underlying assets is as follows:

	Note	**31 December 2019** **US$** *(note (iii))*	1 January 2019 *US$*
Ownership interest in leasehold land			
– between 10 and 50 years	*(i)*	**–**	875,796
Other properties leased for own use	*(ii)*	**–**	136,793
		–	1,012,589

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

	2019 *(Note)* **US$**	2018 *US$*
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	**5,727**	–
Other properties leased for own use	**10,359**	–
	16,086	–
Interest on lease liabilities *(note 6(a))*	**68,888**	–
Expense relating to leases of low-value assets	**1,164**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	142,441

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

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

(b) Right-of-use assets (Continued)

(i) Ownership interests in leasehold land

The Group holds several leasehold land for its motorbike business, where its manufacturing facilities are primarily located. The Group is the registered owner of these land.

(ii) Other properties leased for own use

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

(iii) Right-of-use assets were fully impaired as at 31 December 2019. See note 11(c).

(c) Impairment losses

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

The Group suffered significant operating losses (before impairment losses on non-current assets) over the past few years due to the fierce competition in the motorbike industry and increase of manufacturing costs on new launched products. Based on an impairment assessment conducted by management, impairment losses totalling US$8,287,928 (2018: US$20,233,977) was recognised in profit or loss during the year to write down the carrying value of other property, plant and equipment, right-of-use assets and prepayments for other property, plant and equipment of the CGU to their recoverable amounts of US$3,199,305 (2018: US$3,324,760).

The recoverable amount of the CGU is determined based on the higher of its value-in-use and the fair value less costs of disposal. In 2019, management identified certain buildings included in the CGU which carrying values are likely to be recovered through a sales transaction. The recoverable amounts of these buildings are measured based on their fair value less costs of disposal. This valuation model considers recent sales prices of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result a higher fair value measurement. The fair value on which recoverable amount is based is categorised as a Level 3 measurement under the three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. Key unobservable inputs include the discount or premium on quality of the buildings (-2% to 5%). For assets which management considers are likely to recoverable through continuing use, the Group assessed the recoverable amount based on value-in-use calculation. These calculations use cash flow forecast based on financial budgets approved by management covering a five-year period. Cash flows are discounted using pre-tax discount rate of 14%.

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

(d) Fair value of investment properties

As at 31 December 2019, the fair value of investment properties amounted to US$6,508,000 which is determined based on valuations carried out by Hoang Quan Appraisal Limited and Dinh Vang Co., Ltd, independent professional valuers.

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

(Expressed in United States dollars unless otherwise indicated)

12 LEASE PREPAYMENTS

Lease prepayments represent prepaid land lease rental and related costs.

	2018
	US$
Cost	
At 1 January 2018	6,583,853
Additions	4,706,934
Exchange adjustments	(137,050)
At 31 December 2018	11,153,737
Accumulated amortisation and impairment losses	
At 1 January 2018	1,851,195
Less: amortisation for the year	264,881
Less: impairment loss (note 6(c))	9,089,794
Exchange adjustments	(52,133)
At 31 December 2018	11,153,737
Net book value	
At 31 December 2018	–

"Lease prepayments" were reclassified to "right-of-use assets" under "other property, plant and equipment" upon the adoption of IFRS 16 as 1 January 2019. See note 2(c).

13 INTEREST IN AN ASSOCIATE

The Group's interest in an associate of US$544,900 (2018: US$482,437) represents its share of the net assets of the Vietnam Three Brothers Machinery Industry Co., Limited ("VTBM").

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

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

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

(Expressed in United States dollars unless otherwise indicated)

13 INTEREST IN AN ASSOCIATE (Continued)

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:

	2019 US$	2018 US$
Gross amounts of the associate		
Current assets	**2,112,137**	1,444,815
Non-current assets	**690,946**	683,574
Current liabilities	**(1,045,342)**	(572,141)
Equity	**1,757,741**	1,556,248
Revenue	**11,249,143**	4,265,674
Profit/(loss) from continuing operations	**199,313**	(163,501)
Other comprehensive income	**2,180**	(36,173)
Total comprehensive income	**201,493**	(199,674)
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**1,757,741**	1,556,248
Group's effective interest	**31%**	31%
Group's share of net assets of the associate and the carrying amount in the consolidated financial statements	**544,900**	482,437

14 INVENTORIES

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

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

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

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

(Expressed in United States dollars unless otherwise indicated)

14 INVENTORIES (Continued)

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

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

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

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

15 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2019 *US$*	2018 *US$*
Trade receivables *(note 15(a))*	**12,702,561**	11,927,395
Non-trade receivables *(note 15(b))*	**12,625,485**	9,742,519
Prepayments *(note 15(c))*	**362,370**	717,809
Amounts due from related parties *(note 26(b))*		
– Trade *(note 15(a))*	**190,978**	55,473
– Non-trade	**1,649**	3,776
	25,883,043	22,446,972

(Expressed in United States dollars unless otherwise indicated)

15 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables

(i) Ageing analysis

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

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

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

Trade receivables are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 24(a).

(ii) Trade receivables that are not impaired

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

	2019 US$	2018 US$
Neither past due nor impaired	10,446,188	8,823,467
Less than 1 month past due	1,937,864	2,726,998
1 to 3 months past due	66,112	432,403
3 months to 1 year past due	443,375	–
	2,447,351	3,159,401
	12,893,539	11,982,868

(b) Non-trade receivables

	2019 US$	2018 US$
Deductible value-added tax	7,722,671	5,689,306
Import tax refundable	3,693,304	2,057,172
Interest receivable	13,932	1,101,972
Others	1,195,578	894,069
	12,625,485	9,742,519

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

15 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(c) Prepayments

	2019 US$	2018 US$
Prepayments	132,485	142,085
Advances to suppliers	229,885	575,724
	362,370	717,809

16 CASH AND BANK BALANCES

	Note	2019 US$	2018 US$
Cash at banks and on hand		5,502,843	4,362,866
Time deposits maturing within 3 months		13,513,785	24,215,580
Cash and cash equivalents in the consolidated cash flow statement	16(a)	19,016,628	28,578,446
Time deposits maturing after 3 months	16(c)	33,011,419	35,154,347
		52,028,047	63,732,793

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

	2019 US$	2018 US$
Denominated in VN$	2,589,702	3,436,688
Denominated in US$	16,369,776	25,081,517
Denominated in RMB	18	18
Denominated in NT$	57,130	60,221
Denominated in HK$	2	2
	19,016,628	28,578,446

(Expressed in United States dollars unless otherwise indicated)

16 CASH AND BANK BALANCES (Continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Bank loans	**Lease liabilities**	**Total**
	US$	*US$*	*US$*
	(note 18)	*(note 19)*	
At 31 December 2018	18,925,591	–	18,925,591
Impact on initial application of IFRS 16 *(note)*	–	1,012,589	1,012,589
At 1 January 2019	18,925,591	1,012,589	19,938,180
Changes from financing cash flows:			
Proceeds from new bank loans	62,118,895	–	62,118,895
Repayment of bank loans	(53,299,274)	–	(53,299,274)
Capital element of lease rentals paid	–	(69,678)	(69,678)
Interest element of lease rentals paid	–	(68,888)	(68,888)
Other borrowing costs paid	(727,242)	–	(727,242)
	8,092,379	(138,566)	7,953,813
Other changes:			
Exchange adjustments	198,157	919	199,076
Interest expenses *(note 6(a))*	727,242	68,888	796,130
Total other changes	925,399	69,807	995,206
At 31 December 2019	27,943,369	943,830	28,887,199

(Expressed in United States dollars unless otherwise indicated)

16 CASH AND BANK BALANCES (Continued)

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

	Bank loans
	US$
	(note 18)
At 1 January 2018	23,343,521
Changes from financing cash flows:	
Proceeds from new bank loans	52,357,908
Repayment of bank loans	(56,297,508)
Other borrowing costs paid	(684,050)
	(4,623,650)
Other changes:	
Interest expenses *(note 6(a))*	684,050
Exchange adjustments	(478,330)
	205,720
At 31 December 2018	18,925,591

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See note 2(c).

16 CASH AND BANK BALANCES (Continued)

(c) Time deposits maturing after three months

	2019	2018
	US$	*US$*
Denominated in VN$	**29,061,419**	31,254,347
Denominated in US$	**3,950,000**	3,900,000
	33,011,419	35,154,347

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

	2019	2018
Effective interest rates – VN$	**5.2% -7.3%**	5.9% – 6.8%
Effective interest rates – US$	**3%**	3%

As at 31 December 2019, certain of the Group's time deposits with an aggregate value of US$14,844,291 (2018: US$9,881,184) were pledged to secure bank loans of the Group (see note 18).

(d) Total cash outflow for leases

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

	2019	2018
		(Note)
	US$	*US$*
Within operating cash flows	**1,164**	142,441
Within financing cash flows	**138,566**	–
	139,730	142,441

Note: The adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019	2018
	US$	*US$*
Lease rentals paid	**139,730**	142,441

(Expressed in United States dollars unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

	2019	2018
	US$	*US$*
Trade payables *(note 17(a))*	**6,942,145**	5,842,998
Other payables and accrued operating expenses *(note 17(b))*	**5,579,143**	5,058,688
Contract liabilities – billings in advance of performance *(note 17(c))*	**1,180,324**	109,122
Amounts due to related parties *(note 26(c))*		
– Trade *(note 17(a))*	**542,456**	1,008,432
– Non-trade	**471,956**	1,373,093
	14,716,024	13,392,333

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

(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:

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

(b) Other payables and accrued operating expenses

	2019	2018
	US$	*US$*
Other tax payables	**145,420**	148,565
Commission and bonuses payable to dealers	**300,472**	512,078
Accrued expenses	**1,767,814**	1,849,756
Other payables	**3,365,437**	2,548,289
	5,579,143	5,058,688

(c) Contract liabilities – billings in advance of performance

When the Group receives a deposit before the delivery of products in its sales activity, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the sales exceeds the amount of the deposit. The Group typically receives a 100% deposit on acceptance of domestic sales orders. The amount of revenue recognised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year is US$109,122 (2018: US$162,633).

18 BANK LOANS

At 31 December 2019, the bank loans are interest-bearing at 3.4% to 4.5% (2018: 3.0% to 5.3%) per annum and to be settled within 1 to 6 months. The bank loans of the Group were secured by certain time deposits of the Group (see note 16(c)).

(Expressed in United States dollars unless otherwise indicated)

19 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current reporting period and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 *(Note)*	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	US$	***US$***	*US$*	*US$*
Within 1 year	**18,194**	**82,130**	73,375	142,231
After 1 year but within 2 years	**7,380**	**70,078**	18,174	82,041
After 2 years but within 5 years	**25,290**	**210,235**	23,654	210,008
After 5 years	**892,966**	**2,179,772**	897,386	2,247,421
	925,636	**2,469,985**	939,214	2,539,470
	943,830	**2,542,215**	1,012,589	2,681,701
Less: total future interest expenses		**1,598,385**		1,669,112
Present value of lease liabilities		**943,830**		1,012,589

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 2(c).

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019	2018
	US$	*US$*
Provision for tax for the year	**65,654**	29,703
Provisional tax paid	**(25,914)**	(31,992)
Exchange adjustments	**362**	1,114
	40,102	(1,175)
Representing:		
Tax recoverable	**–**	(23,938)
Tax payable	**40,102**	22,763
	40,102	(1,175)

(Expressed in United States dollars unless otherwise indicated)

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

(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 2018	606,942	357,035	335,764	22,790	1,322,531
Charged to profit or loss	(595,229)	(343,786)	(329,334)	(35,867)	(1,304,216)
Exchange adjustments	(11,713)	(13,249)	(6,430)	40	(31,352)
At 31 December 2018 and 1 January 2019	–	–	–	(13,037)	(13,037)
Credit to profit or loss	–	–	–	41,515	41,515
Exchange adjustments	–	–	–	1,386	1,386
At 31 December 2019	–	–	–	29,864	29,864

	2019	2018
	US$	US$
Represented by:		
Deferred tax assets	**29,864**	–
Deferred tax liabilities	**–**	(13,037)
At 31 December	**29,864**	(13,037)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of US$57,864,581 (2018: US$43,123,376) of a subsidiary as at 31 December 2019, 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.

At 31 December 2018, temporary differences relating to the write-down of inventories, depreciation in excess of the related depreciation allowance and provisions and accruals amounted to $3,306,828, $1,909,922 and $1,829,633 respectively have not been recognised as deferred tax assets as it is not probable that the deferred tax assets will be utilised in the foreseeable future.

(Expressed in United States dollars unless otherwise indicated)

21 PROVISIONS

	Warranties	Severance pay	Total
	US$	*US$*	*US$*
At 1 January 2018	64,811	749,876	814,687
Additional provisions made	184,606	20,009	204,615
Provision utilised	(172,128)	(97,363)	(269,491)
Exchange adjustments	(1,356)	(10,698)	(12,054)
At 31 December 2018	75,933	661,824	737,757
At 1 January 2019	75,933	661,824	737,757
Additional provisions made	79,991	521,306	601,297
Provision utilised	(78,457)	(249,756)	(328,213)
Exchange adjustments	87	1,262	1,349
At 31 December 2019	77,554	934,636	1,012,190

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

(Expressed in United States dollars unless otherwise indicated)

22 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	Share premium	Capital reserve	Retained profits/ (accumulated losses)	Total
	US$	*US$*	*US$*	*US$*	*US$*
Balance at 1 January 2018	1,162,872	112,198,709	1,962,666	5,978,833	121,303,080
Change in equity for 2018:					
Total comprehensive income for the year	–	–	–	(37,754,204)	(37,754,204)
Balance at 31 December 2018 and 1 January 2019	1,162,872	112,198,709	1,962,666	(31,775,371)	83,548,876
Change in equity for 2019:					
Total comprehensive income for the year	–	–	–	(17,522,723)	(17,522,723)
Balance at 31 December 2019	1,162,872	112,198,709	1,962,666	(49,298,094)	66,026,153

(b) Share capital

	2019 Number of shares	2019 Amount	2018 Number of shares	2018 Amount
		US$		*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.

22 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Exchange reserve

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

(d) Distributability of reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was US$64,863,281 (2018: US$82,386,004).

(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.

23 ACQUISITION OF A SUBSIDIARY

(a) Acquisition of Dinh Duong Joint Stock Company

In June 2019, the Group acquired an investment property through transfer of 99.66% of equity interests in Dinh Duong Joint Stock Company from an unrelated third party at a consideration of Vietnam Dong 29,250,000,000 (equivalent to US$1,258,000). The Group had prepaid US$628,000 for the acquisition during the year ended 31 December 2018 and the remaining considerations was paid during the year ended 31 December 2019.

(b) Acquisition of Sanyang Motor Vietnam Company Limited

In March 2018, the Company entered into an agreement with SY International Ltd ("SYI"), the immediate parent of the Company, to acquire 100% of the capital contribution in Sanyang Motor Vietnam Company Limited ("SMV"), a limited liability company incorporated in Vietnam (the "Acquisition"), at a consideration of US$2,700,000, and assumed a shareholder's loan of US$2,000,000 from SYI. The total cash consideration was US$4,700,000.

In view of the accelerating urbanisation plans of government in Vietnam, the Board of Directors decided to acquire the existing production facilities owned by SMV which can then be revamped and integrated with the Group's production plants in Dong Nai province in Vietnam.

Since SMV ceased its principal activities of manufacturing and assembling automobile and small trucks since June 2015, the Board of Directors considered it an acquisition of assets instead of an acquisition of business.

The Acquisition was completed on 17 December 2018. On the same date, SMV was approved by Vietnam government to merge with VMEP, a subsidiary of the Group. In January 2019, the Board of Directors approved to relocate the Group's existing production facilities in Dong Nai province to SMV's production facilities in 2019.

(Expressed in United States dollars unless otherwise indicated)

23 ACQUISITION OF A SUBSIDIARY (Continued)

(b) Acquisition of Sanyang Motor Vietnam Company Limited (Continued)

The seller, SYI., is the immediate parent of the Company and the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The acquired assets and liabilities of SMV recognised at the acquisition date based on the consideration paid are as follows:

	2018
	US$
Other property, plant and equipment	3,273,299
Inventories	41,462
Trade and other receivables, other receivables and prepayments	469,400
Time deposits maturing after three months	739,537
Cash and cash equivalents	535,966
Trade and other payables	(355,510)
Provisions	(4,154)
Net identifiable assets and liabilities	4,700,000
Consideration paid for net assets	2,700,000
Consideration paid to assume shareholder's loan	2,000,000
Less: Cash and cash equivalents acquired	(535,966)
Net cash outflow	4,164,034

In addition, lease prepayments of $4,682,349 was made by SMV under the instruction of the Group through funding from the Group before the acquisition date as part of the Group's plan for production plants in Dong Nai province in Vietnam. Such amount is included in the "Additions" in note 12.

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

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

(a) Credit risk

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

The Group's exposure to credit risk is low as the Group generally offers no credit terms to domestic customers, which accounted for approximately 39% (2018: 45%) of total revenue. Overseas customers are generally granted credit terms ranging from 30 days to 90 days.

At the end of the reporting period, 56% (2018: 65%) of the total trade receivables was due from the Group's largest debtor.

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

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

The Group measures loss allowance on financial assets based on the past loss experience, existing market conditions, coverage of credit insurance as well as forward looking information at the end of each reporting period. Having considered those factors, the Group considered that there is no significant loss allowance recognised in accordance with IFRS 9 as at 31 December 2019, and no expected credit loss rate has therefore been disclosed.

(b) Currency risk

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

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

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

(b) Currency risk (Continued)

(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.

2019	**Exposure to foreign currencies (expressed in US$)**	
	US$	***NT$***
Trade and other receivables	**10,613,470**	**–**
Time deposits maturing after three months	**3,950,000**	**–**
Cash and cash equivalents	**2,047,782**	**–**
Trade and other payables	**(4,973,526)**	**(471,565)**
Bank loans	**(27,943,369)**	**–**
Net exposure arising from recognised assets and liabilities	**(16,305,643)**	**(471,565)**

2018	Exposure to foreign currencies (expressed in US$)	
	US$	*NT$*
Trade and other receivables	9,004,718	–
Time deposits maturing after three months	3,900,000	–
Cash and cash equivalents	1,503,108	–
Trade and other payables	(3,657,285)	(8,665,582)
Bank loans	(15,771,562)	–
Net exposure arising from recognised assets and liabilities	(5,021,021)	(8,665,582)

(Expressed in United States dollars unless otherwise indicated)

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

(b) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax and retained profits/ accumulated loss 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.

	2019			2018		
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) loss after tax**	**Increase/ (decrease) accumulated loss**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) loss after tax	(Decrease)/ increase retained profits
		US$	***US$***		*US$*	*US$*
US$	**5%**	**673,893**	**673,893**	5%	210,512	(210,512)
	(5)%	**(673,893)**	**(673,893)**	(5)%	(210,512)	210,512
NT$	**5%**	**19,334**	**19,334**	5%	355,289	(355,289)
	(5)%	**(19,334)**	**(19,334)**	(5)%	(355,289)	355,289

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 US$ 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 2018.

(c) Interest rate risk

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

(Expressed in United States dollars unless otherwise indicated)

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

(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 17, 18 and 19.

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

	Contractual undiscounted cash outflow					
2019	**Within 1 year or on demand**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December**
	US$	***US$***	***US$***	***US$***	***US$***	***US$***
Trade and other payables excluding contract liabilities	**13,535,700**	**–**	**–**	**–**	**13,535,700**	**13,535,700**
Bank loans	**28,544,507**	**–**	**–**	**–**	**28,544,507**	**27,943,369**
Lease liabilities	**82,130**	**70,078**	**210,235**	**2,179,772**	**2,542,215**	**943,830**
Current tax payable	**40,102**	**–**	**–**	**–**	**40,102**	**40,102**
	42,202,439	**70,078**	**210,235**	**2,179,772**	**44,662,524**	**42,463,001**

	Contractual undiscounted cash outflow			
2018	Within 1 year on demand	More than 1 year	Total	Carrying amount at 31 December
	US$	*US$*	*US$*	*US$*
Trade and other payables excluding contract liabilities	13,283,211	–	13,283,211	13,283,211
Bank loans	19,130,824	–	19,130,824	18,925,591
	32,414,035	–	32,414,035	32,208,802

(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$13,130,931 (2018: US$15,921,771) which accounted for approximately 16% (2018: 18%) of the Group's total purchases for the year ended 31 December 2019.

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.

(Expressed in United States dollars unless otherwise indicated)

25 COMMITMENTS

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

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

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

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

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

26 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019, transactions with the following parties are considered as material related party transactions:

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

(Expressed in United States dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions

	2019 US$	2018 US$
Sales of finished goods and spare parts: ***Note (i)***		
Sanyang Motor Co., Ltd.	**505,111**	654,346
Xiamen Xiashing Motorcycle Co., Ltd.	**682,992**	2,472
Quingzhou Engineering Industry Co., Ltd	**–**	636
	1,188,103	657,454
Purchases of raw materials and finished goods: ***Note (ii)***		
Sanyang Motor Co., Ltd.	**2,202,511**	8,712,197
Sanyang Global Co., Ltd.	**1,207,548**	2,329,573
Xiamen Xiashing Motorcycle Co., Ltd.	**6,708,038**	2,423,087
Jiyang Machinery Industry Co., Ltd.	**–**	12,100
Vietnam Three Brothers Machinery Industry Co., Limited	**3,012,834**	2,444,813
	13,130,931	15,921,770
Purchases of other property, plant and equipment: ***Note (iii)***		
Sanyang Motor Co., Ltd.	**156,595**	191,112
Xiamen Xiashing Motorcycle Co., Ltd.	**–**	3,240
Sanyang Motor Vietnam Co., Ltd *(note (vi))*	**–**	38,894
Sanyang Global Co., Ltd.	**–**	5,835
Vietnam Three Brothers Machinery Industry Co., Limited	**74,682**	340,017
	231,277	579,098
Technology transfer fees: ***Note (iv)***		
Sanyang Motor Co., Ltd.	**1,276,535**	1,513,924
Technical consultancy fees: ***Note (v)***		
Sanyang Motor Co., Ltd.	**29,330**	2,576,694

(Expressed in United States dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions (Continued)

Notes:

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

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

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

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

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

(vi) The purchase of other property, plant and equipment from SMV in 2018 represents the transactions from 1 January 2018 to 17 December 2018.

(b) Amounts due from related parties

	2019	2018
	US$	*US$*
Trade		
Sanyang Motor Co., Ltd.	**77,781**	53,265
Sanyang Global Co., Ltd.	**825**	304
Xiamen Xiashing Motorcycle Co., Ltd.	**9,513**	1,604
Vietnam Three Brothers Machinery Industry Co., Limited	**102,859**	138
Jiyang Machinery Industry Co., Ltd.	**–**	162
Subtotal	**190,978**	55,473
Non-trade		
Sanyang Motor Co., Ltd.	**1,649**	3,776
Subtotal	**1,649**	3,776
Total	**192,627**	59,249

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.

(Expressed in United States dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Amounts due to related parties

	2019 US$	2018 US$
Trade		
Sanyang Motor Co., Ltd.	**406,144**	304,447
Sanyang Global Co., Ltd.	**2,955**	110,070
Xiamen Xiashing Motorcycle Co., Ltd.	**114,366**	388,818
Vietnam Three Brothers Machinery Industry Co., Limited	**18,991**	205,097
Subtotal	**542,456**	1,008,432
Non-trade		
Sanyang Motor Co., Ltd.	**471,956**	1,347,298
Vietnam Three Brothers Machinery Industry Co., Limited	**–**	16,048
Sanyang Global Co., Ltd.	**–**	5,857
Xiamen Xiashing Motorcycle Co., Ltd.	**–**	3,890
Subtotal	**471,956**	1,373,093
Total	**1,014,412**	2,381,525

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

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

(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:

	2019 US$	2018 US$
Short-term employee benefits	**826,303**	949,229

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

The related party transactions in respect of note 26(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Directors' Report.

(Expressed in United States dollars unless otherwise indicated)

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2019 US$	2018 US$
Non-current assets		
Investments in subsidiaries	13,353,095	29,570,750
Current assets		
Trade receivables, other receivables and prepayments	38,872,421	30,966,854
Cash and cash equivalents	14,321,996	23,578,410
	53,194,417	54,545,264
Current liabilities		
Other payables	338,445	339,652
Provisions	182,914	227,486
	521,359	567,138
Net current assets	52,673,058	53,978,126
Total assets less current liabilities	66,026,153	83,548,876
NET ASSETS	66,026,153	83,548,876
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	64,863,281	82,386,004
TOTAL EQUITY	66,026,153	83,548,876

Approved and authorised for issue by the Board of Directors on 27 March 2020.

Lin, Chih-Ming
Director

Lin, Chun-Yu
Director

(Expressed in United States dollars unless otherwise indicated)

28 COMPARATIVE FIGURES

The Group has initially IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c). In addition, certain comparative figures were reclassified to conform to current year's presentation.

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2019, 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.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020

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

(Expressed in United States dollars unless otherwise indicated)

31 LIST OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2019 are set out below. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation, establishment and operation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest		Principal activities
			Held by the Company %	Held by a subsidiary %	
Vietnam Manufacturing and Export Processing Co., Ltd	Vietnam 25 March 1992	US$58,560,000/ US$58,560,000	100	–	Manufacturing and sale of motorbikes and related spare parts
Chin Zong Trading Co., Ltd.	Taiwan 6 July 2007	US$4,528,712/ US$9,057,424	100	–	Sale of motor vehicles and motorbikes and related spare parts
Vietnam Casting Forge Precision Ltd.	Vietnam 12 April 2002	US$4,500,000/ US$4,500,000	–	100	Manufacturing of spare parts for motorbikes and motor vehicles
Dinh Duong Joint Stock Company	Vietnam 28 September 2018	US$4,297,145/ US$4,297,145	–	99.9	Real estate development