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Vietnam Manufacturing and Export Processing (Holdings) Limited

越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Financial Highlights :	(expressed in US\$'million)		
	2023	2022	Change Amount
• Revenue	105.1	132.9	(27.8)
• Gross profit	15.5	13.6	1.9
• Profit/(loss) after tax	1.7	(0.2)	1.9
• Profit/(loss) per share (US\$)	0.0019	(0.0002)	0.0021

The board of directors (the “**Board**”) of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “**Company**”) hereby announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the immediately preceding financial year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023

(Expressed in United States dollars)

		2023	2022
	Note	US\$	US\$
Revenue	2	105,147,919	132,899,372
Cost of sales		(89,657,485)	(119,341,579)
Gross profit		<u>15,490,434</u>	<u>13,557,793</u>
Other income		1,030,615	1,147,872
Distribution costs		(5,915,868)	(6,221,993)
Technology transfer fees		(806,317)	(774,399)
Administrative and other operating expenses		(7,920,847)	(7,059,715)
Results from operations		<u>1,878,017</u>	<u>649,558</u>
Finance income		3,338,690	2,171,384
Finance costs		(2,930,985)	(2,089,472)
Net finance income	3(a)	<u>407,705</u>	<u>81,912</u>
Impairment loss on other property, plant and equipment and prepayments for other property, plant and equipment	3(c)	(454,207)	(778,800)
Share of profit of an associate		26,351	3,663
		<u>(427,856)</u>	<u>(775,137)</u>
Profit/(loss) before taxation	3	1,857,866	(43,667)
Income tax expense	4	(171,666)	(156,679)
Profit/(loss) for the year		<u>1,686,200</u>	<u>(200,346)</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023

(continued)

(Expressed in United States dollars)

	Note	2023 US\$	2022 US\$
Other comprehensive income for the year (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries and an associate		<u>(1,431,425)</u>	<u>(1,508,628)</u>
Total comprehensive income for the year		<u><u>254,775</u></u>	<u><u>(1,708,974)</u></u>
 Profit/(loss) for the year attributable to:			
Equity shareholders of the Company		1,686,198	(200,346)
Non-controlling interests		<u>2</u>	<u>-</u>
		<u><u>1,686,200</u></u>	<u><u>(200,346)</u></u>
 Total comprehensive income attributable to:			
Equity shareholders of the Company		254,775	(1,708,974)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u><u>254,775</u></u>	<u><u>(1,708,974)</u></u>
 Profit/(loss) per share			
- Basic and diluted	5	<u><u>0.0019</u></u>	<u><u>(0.0002)</u></u>

Consolidated Statement of Financial Position at 31 December 2023

(Expressed in United States dollars)

	Note	2023 US\$	2022 US\$
Non-current assets			
Investment properties		3,934,824	4,076,156
Other property, plant and equipment	6	3,943,684	4,289,558
Interest in an associate		613,287	605,801
		<u>8,491,795</u>	<u>8,971,515</u>
Current assets			
Inventories	7	22,853,016	25,951,818
Trade receivables, other receivables and prepayments	8	20,779,858	36,799,492
Cash and bank balances		53,980,524	55,297,226
		<u>97,613,398</u>	<u>118,048,536</u>
Current liabilities			
Trade and other payables	9	9,746,471	33,482,913
Bank loans		42,779,390	40,210,386
Lease liabilities		104,727	52,091
Current tax payable		167,012	19,879
		<u>52,797,600</u>	<u>73,765,269</u>
Net current assets		<u>44,815,798</u>	<u>44,283,267</u>
Total assets less current liabilities		<u>53,307,593</u>	<u>53,254,782</u>
Non-current liabilities			
Deferred tax liabilities		1,435	33,607
Lease liabilities		2,168,637	2,338,429
		<u>2,170,072</u>	<u>2,372,036</u>
NET ASSETS		<u>51,137,521</u>	<u>50,882,746</u>

Consolidated Statement of Financial Position at 31 December 2023

(continued)

(Expressed in United States dollars)

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	49,970,337	49,715,564
Total equity attributable to equity shareholders of the Company	<u>51,133,209</u>	<u>50,878,436</u>
Non-controlling interests	4,312	4,310
TOTAL EQUITY	<u><u>51,137,521</u></u>	<u><u>50,882,746</u></u>

Notes:

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's financial statements for the year ended 31 December 2023, but is derived from those financial statements.

(a) Statement of compliance

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

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and the Group's interest in an associate.

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

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

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

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

(c) Changes in accounting policies

The Group has applied the following new and amended IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

2. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

Further details regarding the Group's principal activities are disclosed in note 2(b).

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

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Revenue from contracts with customers within the scope of IFRS 15		
Manufacture and sale of motorbikes	95,887,544	120,545,295
Manufacture and sale of spare parts and engines	9,260,375	12,354,077
	<u>105,147,919</u>	<u>132,899,372</u>

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 2(b)(ii).

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

The Group's customer base is diversified and includes one customer (2022: three customers) with whom transactions have respectively exceeded 10% of the Group's revenue. During the year ended 31 December 2023, revenue from sales of motorbikes to the customers was as follows:

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Customer A	40,805,000	42,086,080
Customer B*	N/A	21,362,815
Customer C*	<u>N/A</u>	<u>13,563,241</u>

* Revenue from customers B and C for the year ended 31 December 2023 did not contribute over 10% of the total revenue of the Group.

(b) Segment reporting

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

- Manufacturing and sale of motorbikes: the Group's principal products are motorbikes manufactured for the Vietnamese market. The Group also exports motorbikes to other countries including Malaysia, the Philippines, Thailand, Greece, Dubai and Taiwan.
- Manufacturing and sale of spare parts and engines: the Group manufactures engines for use in the Group's motorbikes, while the Group also exports engines to third parties. The Group manufactures parts for use in repair servicing and product assembly.

Segment results

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

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

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

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

- (i) Reconciliation of reportable segment revenues and profit or loss
Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

	2023		
	Manufacture and sale of motorbikes <i>US\$</i>	Manufacture and sale of spare parts and engines <i>US\$</i>	Total <i>US\$</i>
Revenue from external customers recognised at a point in time	95,887,544	9,260,375	105,147,919
Inter-segment revenue	-	29,061,900	29,061,900
Reportable segment revenue	<u>95,887,544</u>	<u>38,322,275</u>	<u>134,209,819</u>
Segment profit before depreciation	2,285,122	1,388,434	3,673,556
Depreciation	(245,216)	-	(245,216)
Reportable segment profit ("adjusted EBIT")	<u>2,039,906</u>	<u>1,388,434</u>	3,428,340
Share of profit of an associate			26,351
Net finance income			407,705
Impairment loss on other property, plant and equipment and prepayments for other property, plant and equipment			(454,207)
Unallocated corporate expenses			<u>(1,550,323)</u>
Profit before taxation			<u>1,857,866</u>

	2022		
	Manufacture and sale of motorbikes <i>US\$</i>	Manufacture and sale of spare parts and engines <i>US\$</i>	Total <i>US\$</i>
Revenue from external customers recognised at a point in time	120,545,295	12,354,077	132,899,372
Inter-segment revenue	-	36,952,824	36,952,824
Reportable segment revenue	<u>120,545,295</u>	<u>49,306,901</u>	<u>169,852,196</u>
Segment profit before depreciation	1,848,443	570,957	2,419,400
Depreciation	(267,621)	-	(267,621)
Reportable segment profit (“adjusted EBIT”)	<u>1,580,822</u>	<u>570,957</u>	2,151,779
Share of profit of an associate			3,663
Net finance income			81,912
Impairment loss on other property, plant and equipment and prepayments for other property, plant and equipment			(778,800)
Unallocated corporate expenses			(1,502,221)
Loss before taxation			<u>(43,667)</u>

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group’s revenue from external customers and (ii) the Group’s investment properties and other property, plant and equipment (“**specified non-current assets**”). The geographical location of customers is based on the location at which the goods were delivered to. 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	
	2023 <i>US\$</i>	2022 <i>US\$</i>	2023 <i>US\$</i>	2022 <i>US\$</i>
Vietnam (place of domicile)	36,131,761	39,277,814	7,878,508	8,365,714
Thailand	50,158,581	55,322,752	-	-
Malaysia	6,754,409	24,816,965	-	-
The Philippines	4,559,016	5,082,341	-	-
Greece	3,468,606	4,615,490	-	-
Dubai	3,246,179	2,549,664	-	-
Taiwan	145,970	104,303	-	-
Other countries	683,397	1,130,043	-	-
	<u>105,147,919</u>	<u>132,899,372</u>	<u>7,878,508</u>	<u>8,365,714</u>

3. Profit/(loss) before taxation

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

(a) Net finance income

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Interest income from banks	<u>(3,338,690)</u>	<u>(2,171,384)</u>
Finance income	<u>(3,338,690)</u>	<u>(2,171,384)</u>
Interest paid and payable to banks	2,306,910	1,253,761
Interest on lease liabilities	171,076	166,063
Net foreign exchange loss	<u>452,999</u>	<u>669,648</u>
Finance costs	<u>2,930,985</u>	<u>2,089,472</u>
	<u>(407,705)</u>	<u>(81,912)</u>

(b) Staff costs

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Contributions to defined contribution retirement plans	1,302,630	1,133,980
Severance pay allowance	23,799	87,170
Salaries, wages and other benefits	<u>10,642,128</u>	<u>10,875,465</u>
	<u>11,968,557</u>	<u>12,096,615</u>

(c) Other items

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Depreciation of property, plant and equipment		
- other property, plant and equipment	245,216	267,621
- investment properties	30,222	29,063
	<u>275,438</u>	<u>296,684</u>
Write-down/(reversal of write-down) of inventories	196,144	(427,457)
Loss allowance of trade receivables	539,836	121,923
Impairment loss on other property, plant and equipment (note 6)	458,905	769,825
(Reversal of impairment loss)/impairment loss on prepayments for other property, plant and equipment (note 6)	(4,698)	8,975
Auditors' remuneration		
- Audit services	388,903	358,844
- Other services	7,511	7,150
Research and development expenses (note (i))	2,420,421	2,225,253
Cost of inventories (note (ii))	<u>89,461,341</u>	<u>119,769,036</u>

Notes:

- (i) Research and development expenses include amounts relating to technology transfer fees, staff costs, depreciation expenses and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in note 3(b) for each of these types of expenses. No development expenditure was capitalised during the years ended 31 December 2023 and 2022.
- (ii) Cost of inventories includes amounts relating to staff costs and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in note 3(b) for each of these types of expenses.

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

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Current tax		
Provision for the year	196,619	31,637
Under-provision in respect of prior year	6,757	3,825
	<u>203,376</u>	<u>35,462</u>
Deferred tax		
Origination and reversal of temporary differences	(31,710)	121,217
Actual tax expense	<u>171,666</u>	<u>156,679</u>

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax for the years ended 31 December 2023 and 2022.

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

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

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

The applicable tax rate for Chin Zong Trading Co., Ltd. (“**Chin Zong**”) is 20% (2022: 20%) if the taxable profit is above New Taiwan Dollar (“**NT\$**”) 120,000. Income tax is exempted if the taxable profit is below NT\$120,000.

5. Profit/(loss) per share

(a) Basic profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the profit attributable to equity shareholders of the Company of US\$1,686,198 (2022: loss of US\$200,346) and the weighted average of 907,680,000 (2022: 907,680,000) ordinary shares in issue during the year. The amount of basic profit per share is US\$0.0019 (2022: basic loss per share of US\$0.0002) for the year ended 31 December 2023.

(b) Diluted profit/(loss) per share

The amount of diluted profit/(loss) per share is the same as the basic profit/(loss) per share for the years ended 31 December 2023 and 2022 as there were no potential dilutive ordinary shares in existence during the years ended 31 December 2023 and 2022.

6. Other property, plant and equipment

Impairment losses

The manufacturing and sale of motorbikes segment, and manufacturing and sale of spare parts and engines 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\$454,207 (2022: US\$778,800) was recognised in profit or loss during the year to write down the carrying value of other property, plant and equipment and prepayments for other property, plant and equipment of the CGU to their recoverable amounts.

The recoverable amount of the CGU is determined based on the higher of its value-in-use and the fair value less costs of disposal. Management identified certain land and buildings included in the CGU which carrying values are likely to be recovered through a sales transaction. The recoverable amounts of these land and 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 land and buildings compared to the recent sales. Higher premium for higher quality land and buildings will result a higher fair value measurement. The fair value on which recoverable amount is based is categorised as a Level 3 measurement under the three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. Key unobservable inputs include the premium on quality of the buildings 5% (2022: 5%). For assets which management considers are likely to be recovered through continuing use, the Group assessed the recoverable amount based on value-in-use calculation. These calculations use cash flow forecast based on financial budgets approved by management in which cash flows are discounted using pre-tax discount rate of 13% (2022: 13%).

7. Inventories

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

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Motorbikes manufacturing		
- Raw materials	14,767,260	20,318,760
- Tools and supplies	336,770	274,719
- Work in progress	168,145	316,166
- Finished goods	5,221,062	2,726,324
- Merchandise inventories (note (i))	2,246,308	2,322,440
	<u>22,739,545</u>	<u>25,958,409</u>
Provision for write-down of inventories	(2,751,978)	(2,954,049)
	<u>19,987,567</u>	<u>23,004,360</u>
Properties (note (ii))	2,865,449	2,947,458
	<u>22,853,016</u>	<u>25,951,818</u>

Notes:

- (i) Merchandise inventories mainly represent spare parts kept for repairs and maintenance.
- (ii) The balance represents the share of properties interest under an investment cooperation memorandum. In 2019, the Group has established a joint arrangement with an unrelated third party to undertake property investing in Vietnam in the form of a joint operation. In accordance with the investment cooperation memorandum, the decisions about relevant activities require unanimous consent of the parties sharing control and, therefore management has accounted for the investments as a joint operation, which is accounted for using the line-by-line basis to the extent of the Group's interest in the joint operation. Details of the arrangement and key terms of the investment cooperation memorandum were disclosed in the Company's announcements dated 24 October 2019 and 4 November 2019. At 31 December 2023 and 31 December 2022, the properties are under development stage.

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

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Carrying amount of inventories sold	89,461,341	119,769,036
Write-down/(reversal of write-down) of inventories	196,144	(427,457)
	<u>89,657,485</u>	<u>119,341,579</u>

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

	2023	2022
	<i>US\$</i>	<i>US\$</i>
At 1 January	2,954,049	3,689,771
Additions/(reversal)	196,144	(427,457)
Utilisation	(322,805)	(236,787)
Exchange adjustments	(75,410)	(71,478)
At 31 December	<u>2,751,978</u>	<u>2,954,049</u>

8. Trade receivables, other receivables and prepayments

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Trade receivables	10,282,879	19,740,540
Non-trade receivables	10,059,160	16,714,310
Prepayments	338,090	277,416
Amounts due from related parties		
-Trade	93,751	66,879
-Non-trade	5,978	347
	<u>20,779,858</u>	<u>36,799,492</u>

Trade receivables

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

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

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Within 3 months	4,233,872	19,679,572
More than 3 months but within 1 year	6,142,758	127,847
	<u>10,376,630</u>	<u>19,807,419</u>

9. Trade and other payables

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Trade payables	2,101,628	8,431,671
Other payables and accrued operating expenses	3,665,255	4,454,975
Contract liabilities - billings in advance of performance	370,313	733,388
Provisions	2,299,689	2,151,871
Amounts due to related parties		
- Trade	1,095,229	17,295,814
- Non-trade	214,357	415,194
	<u>9,746,471</u>	<u>33,482,913</u>

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

Trade payables

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

	2023	2022
	<i>US\$</i>	<i>US\$</i>
Within 3 months	3,182,607	25,718,605
More than 3 months but within 1 year	10,534	4,893
More than 1 year but within 5 years	3,716	3,987
	<u>3,196,857</u>	<u>25,727,485</u>

10. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is one of the leading manufacturers of scooters and cub motorbikes in Vietnam. Its manufacturing and assembly operations are located in Dong Nai Province (near Ho Chi Minh City) and Hanoi of Vietnam with an annual production capacity of 200,000 motorbikes. The Group's motorbikes are sold under the SYM brand name and offering a wide range of models and types. It also produces motorbike parts and engines for internal use and export to overseas customers.

Operation Environment

In 2023, current market headwinds, including market volatility, continuing geopolitical tensions and rising global inflation, have significantly hampered global economic growth.

Vietnam's gross domestic product (GDP) growth in 2023 was 5.05%, lower than the expected annual growth rate of 6.5%. The Vietnam economy has depended all along on export, thus should markets worldwide weaken and international demand plunge, followed by the decline in export consumption, would inevitably be hit and see overall growth slow down.

According to the statistics from the Vietnam Association of Motorcycle Manufacturers, the total sales volume of the top five foreign direct investment manufacturers in Vietnam in 2023 was 2,516,212 motorbikes, representing a decrease of 16.21% compared to 2022. There has been still keen competition in the overall business environment. Facing such operating pressure, the management of the Group will continue to devote its best efforts to proactively identify potential business opportunities, pursue sustainable development and strive to enhance its profitability in order to ensure stability in production and keep its operation in order with a view to mitigate the adverse impacts.

BUSINESS REVIEW

The Group sold an aggregate of approximately 39,500 units (which was comprised of approximately 8,500 units of scooters and 31,000 units of cubs) in Vietnam for the year ended 31 December 2023, representing a decrease of 13.0% compared to the corresponding period of the previous year. The Group sold an aggregate of approximately 46,800 units of scooters and cubs by exporting to Association of Southeast Asian Nations ("ASEAN") countries for the year ended 31 December 2023, representing a decrease of 26.9% compared to the corresponding period of the previous year.

The decrease in the Group's total sales volume in Vietnam was mainly attributable to the slowdown in Vietnam's economic growth, where economic uncertainties, including worsening inflation, soaring interest rates and increasing unemployed, have raised serious concerns about the purchasing power of the country, which in turn has translated into pessimism among consumers and a tendency to preserve their purchasing power. Despite various unfavourable factors, the Group continued to launch new products and hold online and physical advertising campaigns to attract consumers' attention in order to mitigate the sales decline in Vietnam. The Group has introduced a brand-new scooter model "SHARK" in 2023, which was well recognised by both distributors and consumers, resulting in increase in the Group's sales volume for scooters and slightly offsetting the impact of the more prudent consumer behaviour in Vietnam. In terms of brand building, the Group has been working with its distributors to build more modern physical stores to enhance the image of the SYM brand and provide consumers with a more comfortable product display environment and repair service area, so as to continue to explore and focus on its channel operations in Vietnam.

The decrease in the Group's total export sales volume to ASEAN countries was mainly attributable to the sale in key markets such as Malaysia and Thailand were lower than expected. The significant depreciation of their currencies against the US dollar of the above-mentioned countries and the unfavourable impact of foreign exchange transactions have slowed down the willingness of distributors in those markets to import, while Japanese motorbike manufacturers, with their absolute dominance in terms of distribution channels and brand images, have expanded their promotional efforts, squeezing out the sales space of other motorbike brands, thereby

affecting the Group's sales growth. In respect of operation, by upholding the strategy of market risk diversification, the Group aggressively explored the markets other than ASEAN countries, including Europe and Middle East markets, exploiting diversified distribution channels, which achieved results of improvement in the sales performance for 2023. The total export sales volume to Dubai in 2023 increased by 25.3% from 2022. The Group will continuously develop new customers, and also improved the relationships with existing customers.

The Group is committed to integrating its sales network to match marketing strategies, enhancing brand awareness and maintaining customer loyalty. As of 31 December 2023, the Group's extensive distribution network comprised over 181 SYM authorised stores owned by dealers, covering every province in Vietnam.

FINANCIAL REVIEW

The Group's net profit for the year ended 31 December 2023 was improved by US\$1.9 million, from a net loss of US\$0.2 million for the year ended 31 December 2022 to a net profit of US\$1.7 million for the year ended 31 December 2023. Further analysis on the operating results of the Group is set out below.

REVENUE

Revenue of the Group for the year ended 31 December 2023 decreased to US\$105.1 million from US\$132.9 million for the year ended 31 December 2022, representing a decrease of US\$27.8 million or 20.9%. For domestic sales, the restrained purchasing power of Vietnamese consumers affected the sales of products, resulting in a decrease in revenue, which was partially offset by the Group's stable brand loyalty and sales channels, as well as a slight increase in the continuous operation of our new products in the Vietnamese market in 2023. For overseas sales, the Thai market was affected by the aggressive market capturing from Japanese competitors and the price competition in the local market, resulting in a decline in sales volume and revenue for the Group's high-priced scooters. In Malaysia, sales slowed down due to the stagnant economic growth and weak consumer demand. To alleviate the impact of declined sales in Thailand and Malaysia, the Group's major export markets, the Group has been developing new customers in Greece and Dubai. The Group will continue to actively develop new models and wide variety of products to satisfy consumer demand and enhance the Group's revenue.

In terms of geographical contribution, approximately 34.4% of total revenue was generated from the domestic market in Vietnam for the year ended 31 December 2023 as compared with approximately 29.6% for the year ended 31 December 2022. Revenue from domestic sales in Vietnam decreased by 8.1% from US\$39.3 million for the year ended 31 December 2022 to US\$36.1 million for the year ended 31 December 2023. Revenue from export sales decreased by 26.3% from US\$93.6 million for the year ended 31 December 2022 to US\$69.0 million for the year ended 31 December 2023.

COST OF SALES

The Group's cost of sales decreased by 24.8%, from US\$119.3 million for the year ended 31 December 2022 to US\$89.7 million for the year ended 31 December 2023. The majority of the Group's cost of sales comprised of raw material cost and direct labour costs. The decrease was mainly due to the decline in overall sales volume. The Group improve its bargaining power with certain suppliers through bulk purchasing, and in turn reduce its production costs, which partially offset the increase in raw material costs. That change will help to a certain extent stabilize production costs and enhance the profitability of the Group.

As a percentage of total revenue, the Group's cost of sales decreased from 89.8% for the year ended 31 December 2022 to 85.3% for the year ended 31 December 2023. The Group will continue to strive to reduce the production cost per unit and stabilise production costs by developing new sourcing channels and re-selecting suppliers.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2023, the Group recorded a gross profit and gross profit margin of approximately US\$15.5 million and 14.7% respectively (for the year ended 31 December 2022: gross profit and gross profit margin of approximately US\$13.6 million and 10.2% respectively), representing an increase of US\$1.9 million in gross profit and 4.5 percentage points in gross profit margin. Because the Group flexibly arrange procurement to stabilize production costs, optimise its product sales structure, strengthen sales strategies, and expand Europe and Middle East market, the group can maintain an appropriate profit margin for its products.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 4.8%, from US\$6.2 million for the year ended 31 December 2022 to US\$5.9 million for the year ended 31 December 2023. The decrease in distribution expenses was mainly attributable to the decrease in transportation-related expenses and package expenses resulting from the decreasing export sales volume of the Group to ASEAN countries

TECHNOLOGY TRANSFER FEES

The technology transfer fees slightly increased by 5.2% from US\$0.77 million for the year ended 31 December 2022 to US\$0.81 million for the year ended 31 December 2023, resulting from an increase in the sales of SYM-branded motorbike models, which require payment of technology transfer fees, in Vietnam and ASEAN countries.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative and other operating expenses increased by 11.3% from US\$7.1 million for the year ended 31 December 2022 to US\$7.9 million for the year ended 31 December 2023, mainly due to increase in professional services fees and office expenses. The Group's administrative and other operating expenses is 7.5% of the Group's total revenue for the year ended 31 December 2023.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, for the year ended 31 December 2023, the Group recorded a profit from operating activities of US\$1.9 million (for the year ended 31 December 2022: US\$0.6 million).

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

The Group suffered significant operating losses over the past few years due to the fierce competition in the motorbike industry and increase of manufacturing costs on new launched products, resulting in the poor results of the Group's manufacturing and sales of motorbikes segment, and manufacturing and sales of spare parts and engines segment over the past few years. The Group considered it was an indication that the other property, plant and equipment and prepayments for other property, plant and equipment (the "Relevant PPE") may be impaired. Accordingly, the Group carried out an impairment testing on the Relevant PPE and noted an impairment loss of approximately US\$0.5 million on the other property, plant and equipment and prepayments for other property, plant and equipment were required as at 31 December 2023.

NET FINANCE INCOME

The Group's net finance income increased by 300.0%, from US\$0.1 million for the year ended 31 December 2022 to US\$0.4 million for the year ended 31 December 2023. Such increase was mainly attributable to decrease the recognition of foreign exchange losses of US\$0.2 million arising from fluctuation of the Vietnamese Dong against the US dollar for 2023, increase in bank interest expense by US\$1.1 million and offset by increase in bank interest income by US\$1.2 million.

PROFIT/LOSS FOR THE PERIOD AND NET PROFIT MARGIN/NET LOSS MARGIN

As a result of the factors discussed above, the Group recorded a net profit of US\$1.7 million for the year ended 31 December 2023, which was an improvement by US\$1.9 million, as compared to the net loss of US\$0.2 million for the year ended 31 December 2022. The Group recorded the net loss of 0.2% for the year ended 31 December 2022, which was improved to the net profit margin for the year ended 31 December 2023 of 1.6%.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's net current assets amounted to US\$44.8 million (31 December 2022: US\$44.3 million) which consisted of current assets of US\$97.6 million (31 December 2022: US\$118.1million) and current liabilities of US\$52.8 million (31 December 2022: US\$73.8 million).

As at 31 December 2023, the Group's interest-bearing loans repayable within one year was US\$42.8 million (31 December 2022: US\$40.2 million). As at 31 December 2023, the Group had no interest-bearing loans repayable beyond one year (31 December 2022: Nil). As at 31 December 2023, the gearing ratio was 83.7% (31 December 2022: 79.0%) calculated by dividing total bank loans by total shareholders' equity.

As at 31 December 2023, the Group's cash and bank balances (including bank deposits), amounted to US\$54.0 million, which included US\$48.9 million denominated in Vietnamese Dong, US\$4.6 million denominated in US dollar and US\$0.5 million denominated in New Taiwan Dollar (31 December 2022: US\$55.3 million, which included US\$47.9 million denominated in Vietnamese Dong, US\$6.5 million denominated in US dollar and US\$0.9 million denominated in New Taiwan Dollar).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Transactions of the Group are mainly denominated in Vietnamese Dong and US dollar. The Group will closely monitor the trend of fluctuation exchange rate and strengthen relevant personnel's awareness of risk prevention to deal with exchange rate risks. The Group adopts conservative treasury policies in cash and financial management, with its cash generally placed in short-term deposits mostly denominated in Vietnamese Dong and US dollar. As at 31 December 2023, the Group did not use any financial instrument to hedge its foreign exchange risks.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan and Hong Kong, and regularly reviews its remuneration packages in light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, quality staff living quarters, training and development opportunities, medical benefits, an insurance plan and retirement benefits. As at 31 December 2023, the Group had 1,109 employees (2022: 1,155). The total amount of salaries and related costs for the year ended 31 December 2023 amounted to approximately US\$12.0 million (2022: US\$12.1 million).

PROSPECTS

Looking forward into 2024, the global economy is expected to continue encountering challenges including inflation and high interest rates, all of which will hamper consumption sentiment and seriously affecting the operating environment for the motorbikes manufacturing and sales sector. It is expected that the supply of various global and local raw materials, energy and packaging materials will also continue to be affected in 2024, maintaining the prices at a high level. In view of this, the Group will purchase raw materials and parts in a more flexible and diversified manner to stabilise its production cost and enhance its efficiency.

The Group will increase the placement of brand advertising, continue to strengthen market promotion and plan to roll out a number of new or modified motorbike models in the Vietnamese, ASEAN countries, Europe and Middle East markets, including scooter and cub, so as to achieve product diversification. The Group will consider to further expand its existing manufacturing facilities to satisfy its prestige customers' needs and greater profitability. The Group will also continue extend the geographical coverage of its sales and services centres in order to provide its customers with better product repair, maintenance services and enhance the brand loyalty.

In regard to our manufacturing plants and facilities, as the Vietnamese government accelerated the pace of urbanisation and societal transformation, the Group has relocated the manufacturing facilities in Bien Hoa City of Dong Nai Province to Nhon Trach Industrial Zone II in 2019. The Group will continue to review the strategic function value and asset value of the manufacturing plants and facilities in Bien Hoa City of Dong Nai Province, or the potential return on land development. In addition, as disclosed in the announcement of the Company dated 14 May 2018, the Group proposed to establish a joint venture company for the purpose of investing in and development of a project of the Group in connection with the plots of land located at La Khe Ward, Ha Tay District, Hanoi City, Vietnam. As of the date of this announcement, 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 Tay District will be moved out of their current location.

The Group will seize all available development opportunities to enhance its long-term profitability and maximise returns for the shareholders of the Company.

APPLICATION OF INITIAL PUBLIC OFFERING PROCEEDS

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

The table below sets out the detailed items of the use of proceeds from the initial public offering as at 31 December 2023:

	Net proceeds from the initial public offering as stated in the Prospectus and the Announcement <i>Approximately</i> <i>in</i> <i>US\$’ million</i>	Balance unutilised as at 1 January 2023 <i>Approximately</i> <i>in</i> <i>US\$’ million</i>	Amount utilised during the year ended 31 December 2023 <i>Approximately</i> <i>in</i> <i>US\$’ million</i>	Balance unutilised as at 31 December 2023 <i>Approximately</i> <i>in</i> <i>US\$’ million</i>
Construction of research and development centre in Vietnam	11.7	-	-	-
Expanding distribution channels in Vietnam				
- Upgrading of existing facilities	4.0	-	-	-
- Establishing of new facilities	15.0	-	-	-
Mergers and acquisitions	9.0	-	-	-
General working capital	2.7	-	-	-
Development of production sites as well as the relocation of existing production facilities	15.0	3.0	0.5	2.5
Land development	19.3	15.1	-	15.1
Total	76.7	18.1	0.5	17.6

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

As the application for the development of land project with the government authorities of Vietnam is still in progress, the unutilised amount of net proceeds is expected to be fully utilised by 2030.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments and contingent liabilities as at 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2023, the Group had no material acquisition or disposal of subsidiaries and associated companies.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2023, the Group did not hold any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have any other specific plan for material investments or acquisitions of capital assets as at 31 December 2023.

PLEDGE ON ASSETS

As at 31 December 2023, the Group pledged its bank time deposits of US\$24,264,950 as securities for banking facilities granted to the Group.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2023 and up to the date of this announcement, there were no significant events that might affect the Group.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2023, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the “**Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Code, and maintain a high standard of corporate governance practices of the Company.

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 C3 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors of the Company. Having made specific enquiry of all the directors of the Company, the Company confirms that the directors of the Company have complied with the required standard set out in the Model Code for the year ended 31 December 2023.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2023 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

The forthcoming annual general meeting (“AGM”) of the Company will be held on Thursday, 27 June 2024. Notice of the AGM will be published and issued to the shareholders of the Company in due course. For determining the entitlement to attend and vote in the AGM, the register of members of the Company will be closed from Monday, 24 June 2024 to Thursday, 27 June 2024 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the attendance of the AGM, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 21 June 2024. Shareholders of the Company whose names are recorded in the register of members of the Company on 27 June 2024 are entitled to attend and vote at the AGM.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the directors of the Company, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2023 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.vmeph.com. The 2023 annual report of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

Lastly, we would like to express the 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, 13 March 2024

As at the date of this announcement, the Board comprised three executive directors, namely Mr. Liu Wu Hsiung, Ms. Wu Jui Chiao and Mr. Lin Chun Yu, three non-executive directors, namely Ms. Wu Li Chu, Mr. Chen Hsu Pin and Mr. Liu Ju Cheng and three independent non-executive directors, namely Ms. Lin Ching Ching, Mr. Cheung On Kit Andrew and Ms. Wu Hui Lan.