

VMEP

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)

CẦU SÔNG HÀN - TP. ĐÀ NẴNG

WELDING RIVER BRIDGE DA NANG CITY



Avigo
50

INTERIM REPORT **2016**

CONTENTS

Corporate Information	2
Management Discussion & Analysis	3
Other Information	7
Independent Auditors' Review Report	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Changes in Equity	15
Condensed Consolidated Cash Flow Statement	16
Notes to the Unaudited Interim Financial Report	17



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Wu Hsiung (Chairman)
Mr. Lu Tien Fu (Chief Executive Officer)
Mr. Lin Chun Yu
(appointed on 20 April 2016)
Mr. Chou Ken Yuan
(appointed on 7 July 2016)

Non-executive Directors

Ms. Wu Li Chu
(re-designated on 27 June 2016)
Mr. Chiu Ying Feng
Mr. Chang Yung Chieh
(resigned on 27 June 2016)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Ms. Lin Ching Ching
Ms. Wu Kwei Mei
Mr. Liu Wu Hsiung

AUTHORISED REPRESENTATIVES

Mr. Liu Wu Hsiung
Ms. Ng Wing Shan
(appointed on 27 June 2016)
Mr. Chan Chi Shing
(resigned on 27 June 2016)

COMPANY SECRETARY

Ms. Ng Wing Shan
(appointed on 27 June 2016)
Mr. Chan Chi Shing
(resigned on 27 June 2016)

AUDITORS

KPMG

LEGAL ADVISERS

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

18/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company
(Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited

STOCK CODE

422

WEBSITE AND CONTACT

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



MANAGEMENT DISCUSSION AND ANALYSIS

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 engines and parts for internal use and export as well as selling and providing services associated with moulds to make die-cast and forged metal parts.

OPERATION ENVIRONMENT

According to the report of the General Statistics Office of Vietnam, Vietnam’s gross domestic product (GDP) grew by 5.52% in the first half of 2016, lower than that of 6.32% for the same period last year. The inflation rate was 1.72%, which showed a decelerating trend in economic growth.

In the first half of 2016, according to the statistics of The Vietnam Association of Motorcycle Manufacturers, the five largest foreign direct investment manufacturers in Vietnam sold more than 1.44 million units of motorbikes in total, representing an increase of 8.12% as compared with the same period last year, demonstrating the continuous expansion of foreign investment manufacturers in Vietnam, which led the Group to an intensive competition during this year.

BUSINESS REVIEW

In the first half of 2016, the Group launched three types of new or modified motorbike models, which include the scooter named Shark Mini 125 targeting female customers, and two modified motorbike models, namely Galaxy Sport 115cc (equipped with clutch) and Galaxy 115cc, offering different product segments to meet consumer needs. In addition, the electronic injection parts manufactured by Bosch, a renowned brand in Germany, have been applied into such new products, which improved the performance of such products and would be more energy-saving and environmentally friendly.

For the six months ended 30 June 2016, the Group sold about 26,300 units of motorbikes (including about 2,400 units of scooters and about 23,900 units of cubs) in Vietnam, representing a decrease of 12% as compared with the same period last year. The Group exported about 58,100 units of motorbikes to ASEAN countries, representing an increase of 10% as compared with the same period last year. In particular, the Group grew rapidly in Malaysian and Philippine markets.

During the first half of 2016, the Group has 215 SYM-authorized stores owned by dealers to cover almost every province in Vietnam.

FINANCIAL REVIEW

The Group’s revenue decreased by 13% from US\$70.5 million for the six months ended 30 June 2015 to US\$61.1 million for the six months ended 30 June 2016, the Group’s net loss for the six months ended 30 June 2016 improved by 87%, from a loss of US\$3.8 million for the six months ended 30 June 2015 to a loss of US\$0.5 million for the six months ended 30 June 2016.



REVENUE

The Group's revenue for the six months ended 30 June 2016 was US\$61.1 million, representing a decrease of US\$9.4 million or 13% as compared with US\$70.5 million for the six months ended 30 June 2015, which was mainly due to the decline in the Group's domestic sales volume in Vietnam. The Group's overall sales volume in Vietnam decreased by 12% as compared with the same period last year, mainly due to the sluggish economy and consumer market in Vietnam in the period. For the six months ended 30 June 2016, the sales volume that the Group exported to ASEAN countries increased by 10% as compared with the same period last year, due to the fact that the Group launched various kinds of new or modified motorbike models in the first half of 2016 which resulted in an increase in local sales volume. In terms of regional business, the Group's domestic sales volume in Vietnam contributed approximately 27% of the total revenue for the six months ended 30 June 2016.

The principal scooter models include ATTILA-V, VENUS and ELIZABETH, PASSING and SHARK, and cub models of ELEGANT, GALAXY and ANGELA.

COST OF SALES

The Group's cost of sales decreased by 17%, from US\$65.1 million for the six months ended 30 June 2015 to US\$53.9 million for the six months ended 30 June 2016, resulting from the drop of sales in Vietnam. As a percentage of total revenue, the Group's cost of sales decreased from 92% for the six months ended 30 June 2015 to 88% for the six months ended 30 June 2016. Such decrease was primarily due to cost reduction arising from expanding procurement sources for materials and components at a lower cost, and effort to enhance cost effectiveness.

GROSS PROFIT AND GROSS PROFIT MARGIN

Owing to the drop of sales and the decrease of materials and components costs as discussed above, the gross profit of the Group increased by 35%, from US\$5.4 million for the six months ended 30 June 2015 to US\$7.3 million for the six months ended 30 June 2016. As compared with the comparative period of last year, the Group's gross profit margin has increased from 8% to 12%.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 21%, from US\$4.3 million for the six months ended 30 June 2015 to US\$3.4 million for the six months ended 30 June 2016. Such decrease was mainly attributed to rectification of existing distribution network of the Group, a decrease of sales incentives and supporting fees to distributors.

TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 9%, from US\$1.6 million for the six months ended 30 June 2015 to US\$1.5 million for the six months ended 30 June 2016, resulting from a decrease in the sales of SYM-branded motorbikes in Vietnam.



ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 12%, from US\$4.9 million for the six months ended 30 June 2015 to US\$4.3 million for the six months ended 30 June 2016. The expenses accounted for 7% of the Group's total revenue for the six months ended 30 June 2016. The decrease was principally due to the decrease of research and development expenses, and efforts to boost operation efficiency and strengthen cost control.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities improved by 74%, from a loss of US\$5.3 million for the six months ended 30 June 2015 to a loss of US\$1.4 million for the six months ended 30 June 2016.

NET FINANCE INCOME

The Group's net finance income decreased by 47%, from US\$1.6 million for the six months ended 30 June 2015 to US\$0.8 million for the six months ended 30 June 2016. Such decrease was mainly attributable to a decrease in interest income by US\$0.9 million and increase in foreign exchange losses of US\$0.2 million arising from fluctuation of the Renminbi against the US dollar for the six months ended 30 June 2016.

LOSS FOR THE PERIOD AND MARGIN

As a result of the factors discussed above, the Group's net loss for the six months ended 30 June 2016 improved by 87% or US\$3.3 million, from a loss of US\$3.8 million of 2015 to a loss of US\$0.5 million of 2016. The Group's net loss margin improved from 5.4% for the six months ended 30 June 2015 to 0.9% for the six months ended 30 June 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's net current assets amounted to US\$112.2 million (31 December 2015: US\$111.5 million) which consisted of current assets amounting to US\$155.7 million (31 December 2015: US\$152.5 million) and current liabilities amounting to US\$43.5 million (31 December 2015: US\$41.0 million).

As at 30 June 2016, the Group had bank loans repayable within one year of US\$23.7 million, including US\$20.0 million denominated in US\$ and US\$3.7 million denominated in Vietnamese Dong (31 December 2015: US\$24.6 million, including US\$19.3 million denominated in US\$ and US\$5.3 million denominated in Vietnamese Dong). As at 30 June 2016, the Group had no bank loans repayable beyond one year (31 December 2015: Nil). As at 30 June 2016, the gearing ratio was 17% (31 December 2015: 18%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2016, the cash and bank balances (including bank deposits) amounted to US\$98.9 million, including US\$52.7 million denominated in Vietnamese Dong, US\$45.1 million denominated in US\$, US\$1.0 million denominated in RMB and US\$0.1 million denominated in NT\$ and HK\$ (31 December 2015: US\$102.5 million, which mainly included US\$57.6 million denominated in Vietnamese Dong, US\$27.2 million denominated in US\$ and US\$17.7 million denominated in RMB).



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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group 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, staff quarters, training and development opportunities, medical benefits, insurance plan and retirement benefits. As at 30 June 2016, the Group had 1,670 employees (30 June 2015: 1,647). The total amount of salaries and related costs for the employees for the six months ended 30 June 2016 amounted to US\$5.6 million (six months ended 30 June 2015: US\$5.4 million).

CHANGES SINCE 31 DECEMBER 2015

Save as disclosed in this report, since 31 December 2015, there were no other significant changes in the Group's financial position and there were no other significant changes in relation to the information disclosed under the section headed "Management Discussion and Analysis" in the annual report of the Company for the year ended 31 December 2015.

PROSPECTS

In the first half of 2016, Vietnam's macro economy was generally stable and its gross domestic product (GDP) grew by 5.52%. Despite experiencing a slower economic growth than the same period last year, Vietnam's economy is expected to deliver a high growth this year driven by various favourable factors such as increase in its domestic industrial production, commodity retail and consumption.

The Group plans to launch various kinds of new or modified motorbike models in both Vietnamese market and export markets in the second half of 2016, thereby increasing the sales volume of motorbikes, enhancing product diversification and improving the profitability. In this regard, the Group will launch a new cub model named AMIGO 50CC targeting female and young customers, another cub model named Sports Rider 125 targeting male customers and export markets, and other models with larger engine capacity and cub models with a view to expand the markets for young students and office workers.



The Group maintains a positive attitude towards market growth in the second half of 2016 and in the coming years. The Group will focus more on our core business and technology development to improve product functionality and expand service dimensions to our customers, and will speed up market expansion by proactively expanding sales service network. The Group will strive to seize all available development opportunities to enhance its long-term profitability and maximize returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the initial public offering of the Company in December 2007, net of related listing expenses, amounted to US\$76.7 million. As at 30 June 2016, such net proceeds were utilized in the following manner:

	Per Prospectus US\$' million	Amount utilized US\$' million	Balances as at 30 June 2016 US\$' million
Construction of research and development centre in Vietnam	15.0	11.7	3.3
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	1.9	44.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	22.0	54.7

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

OTHER INFORMATION

CHANGES OF DIRECTORS AND DIRECTORS' INFORMATION

Mr. Lin Chun Yu has been appointed as an executive director of the Company with effect from 20 April 2016.

Mr. Chang Yung Chieh resigned as a non-executive director of the Company and Ms. Wu Li Chu re-designated from the position of executive director to non-executive director of the Company, both with effect from 27 June 2016.

Mr. Chou Ken Yuan has been appointed as an executive director of the Company with effect from 7 July 2016.

Save as disclosed above, no information relating to the directors of the Company is required to be disclosed in accordance with Rules 13.51(2) and 13.51(B)(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) since the publication of the Company’s 2015 annual report.



SHARE OPTION SCHEMES

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

The Board has not granted any share options under the share option scheme during the six months ended 30 June 2016 and no share option was exercised, cancelled or lapsed during the six months ended 30 June 2016. No share options was outstanding as at 30 June 2016.

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 30 June 2016, 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 Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules 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 (%)
Mr. Liu Wu Hsiung	Ordinary shares	Beneficial owner	111,380 (L)	0.01%
Mr. Lu Tien Fu	Ordinary shares	Beneficial owner	8,098 (L)	0.00%
Ms. Wu Li Chu	Ordinary shares	Beneficial owner	51,871,560 (L)	5.89%
Mr. Chiu Ying Feng	Ordinary shares	Beneficial owner	18,412 (L)	0.00%
Ms. Wu Kwei Mei	Ordinary shares	Beneficial owner	1,000 (L)	0.00%

(L) – Long position



Save as disclosed above, as at 30 June 2016, 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 30 June 2016, 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 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. SY 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 SY International Ltd. for the purposes of the SFO.

Save as disclosed above, as at 30 June 2016, 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' RIGHTS TO ACQUIRE SHARES

At no time during the six months ended 30 June 2016 were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, granted to any directors of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies a party to any arrangement to enable the directors to acquire such benefits through such means.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2016, the Group had no material acquisition or disposal of subsidiaries and associated companies. As at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules, except for the following deviation:

Paragraph A.5 of the Code provides that an issuer should establish a nomination committee with specific written terms of reference for, among others, the following duties: (i) review the structure, size and composition of the Board, (ii) select and nominate individuals to be appointed as directors, (iii) assess the independence of independent non-executive directors, and (iv) make recommendations 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 objectives of the Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 directors of the Company, the Company confirms that the directors of the Company have complied with the required standards set out in the Model Code for the six months ended 30 June 2016.



PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Board, as at the date of this report, the Company has maintained the prescribed public float of no less than 25% under the Listing Rules.

EVENT AFTER THE REPORT DATE

Save as disclosed in this report, there were no other material events after the reporting period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The unaudited interim results for the six months ended 30 June 2016 and the interim report 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.

INTERIM DIVIDEND

The Board has resolved not to recommend payment of interim dividend for the six months ended 30 June 2016 (2015: Nil). Accordingly, no closure of the register of members of the Company is proposed.

OUR APPRECIATION

Finally, we would like to express our 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 contributions to the success of the Group.

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

Hong Kong, 11 August 2016





**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 26 which comprises the consolidated statement of financial position of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") as of 30 June 2016 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

11 August 2016



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – unaudited
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2016 US\$	2015 US\$
Revenue	4	61,141,792	70,511,903
Cost of sales		(53,865,131)	(65,149,945)
Gross profit		7,276,661	5,361,958
Other income		537,785	162,358
Distribution costs		(3,365,019)	(4,285,072)
Technology transfer fees	14(a)	(1,472,117)	(1,612,434)
Administrative expenses		(4,294,765)	(4,886,427)
Other operating expenses		(56,809)	(69,390)
Results from operating activities		(1,374,264)	(5,329,007)
Finance income		1,905,899	2,758,456
Finance costs		(1,061,169)	(1,177,196)
Net finance income	5(a)	844,730	1,581,260
Share of profit of an associate, net of tax		42,703	34,522
Loss before taxation	5	(486,831)	(3,713,225)
Income tax	6	(46,391)	(87,670)
Loss for the period		(533,222)	(3,800,895)
Other comprehensive income for the period (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		901,506	(1,807,510)
Total comprehensive income for the period attributable to equity shareholders of the Company		368,284	(5,608,405)
Loss per share	7		
– Basic and diluted		(0.001)	(0.004)

The notes on pages 17 to 26 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2016 – unaudited**(Expressed in United States dollars)*

	<i>Note</i>	At 30 June 2016 US\$	At 1 December 2015 US\$
Non-current assets			
Property, plant and equipment	8	18,020,882	18,259,022
Intangible assets		54,258	79,668
Lease prepayments		5,050,096	5,114,868
Interest in an associate		624,632	577,189
Deferred tax assets		780,130	774,244
		24,529,998	24,804,991
Current assets			
Inventories	9	21,525,749	20,649,546
Trade receivables, other receivables and prepayments	10	35,349,657	29,341,932
Time deposits maturing after three months		46,223,934	81,550,559
Cash and cash equivalents		52,634,038	20,988,920
		155,733,378	152,530,957
Current liabilities			
Trade and other payables	11	18,848,240	15,355,074
Bank loans	12	23,676,884	24,558,291
Current tax payable		25,162	53,847
Provisions		993,836	1,018,653
		43,544,122	40,985,865
Net current assets		112,189,256	111,545,092
Total assets less current liabilities		136,719,254	136,350,083
Non-current liability			
Deferred tax liabilities		59,653	58,766
Net assets		136,659,601	136,291,317
Capital and reserves			
Share capital		1,162,872	1,162,872
Reserves		135,496,729	135,128,445
Total equity		136,659,601	136,291,317

Approved and authorised for issue by the Board of Directors on 11 August 2016.

*Director**Director***Lin Chun Yu****Lu Tien Fu**

The notes on pages 17 to 26 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 – unaudited
(Expressed in United States dollars)

	Attributable to equity shareholders of the Company						
	Share capital	Share premium	Capital reserve	Exchange reserves	Statutory reserves	Retained profits	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2015	1,162,872	112,198,709	1,962,666	(28,133,866)	154,253	62,045,538	149,390,172
Changes in equity for the six months ended 30 June 2015:							
Loss for the period	-	-	-	-	-	(3,800,895)	(3,800,895)
Other comprehensive income	-	-	-	(1,807,510)	-	-	(1,807,510)
Total comprehensive income	-	-	-	(1,807,510)	-	(3,800,895)	(5,608,405)
Appropriation to reserves	-	-	-	-	48,603	(48,603)	-
Balance at 30 June 2015	1,162,872	112,198,709	1,962,666	(29,941,376)	202,856	58,196,040	143,781,767
Balance at 1 January 2016	1,162,872	112,198,709	1,962,666	(33,207,960)	202,856	53,972,174	136,291,317
Changes in equity for the six months ended 30 June 2016:							
Loss for the period	-	-	-	-	-	(533,222)	(533,222)
Other comprehensive income	-	-	-	901,506	-	-	901,506
Total comprehensive income	-	-	-	901,506	-	(533,222)	368,284
Balance at 30 June 2016	1,162,872	112,198,709	1,962,666	(32,306,454)	202,856	53,438,952	136,659,601

The notes on pages 17 to 26 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2016 – unaudited**(Expressed in United States dollars)*

	Six months ended 30 June	
	2016 <i>US\$</i>	2015 <i>US\$</i>
Cash used in operations	(3,503,536)	(6,083,449)
Tax paid	(74,704)	(112,570)
Net cash used in operating activities	(3,578,240)	(6,196,019)
Investing activities		
Decrease in time deposits maturing after three months	35,326,625	6,715,742
Payment for purchase of property, plant and equipment	(1,375,284)	(544,649)
Interest received	2,339,880	3,411,094
Other cash flows from investing activities	3,852	6,415
Net cash generated from investing activities	36,295,073	9,588,602
Financing activities		
Proceeds from borrowings	29,208,681	43,237,331
Repayment of borrowings	(30,286,696)	(44,641,878)
Interest paid	(349,885)	(594,259)
Net cash used in financing activities	(1,427,900)	(1,998,806)
Net increase in cash and cash equivalents	31,288,933	1,393,777
Cash and cash equivalents at 1 January	20,988,920	15,985,869
Effect of foreign exchange rate changes	356,185	(74,586)
Cash and cash equivalents at 30 June	52,634,038	17,305,060

The notes on pages 17 to 26 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

1 REPORTING CORPORATE INFORMATION

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 since 20 December 2007.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 11 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's review report to the Board of Directors is included on page 12.



2 BASIS OF PREPARATION (Continued)

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as being previously reported information does not constitute the Company's financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2016.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company:

- *Annual improvements to IFRSs 2012-2014 Cycle*
- *Amendments to IAS 1, Presentation of financial statements: Disclosure Initiative*

None of these developments has 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.

4 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 identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Information about profit or loss, assets and liabilities

	Six months ended 30 June 2016			
	Manufacture and sale of motorbikes US\$	Manufacture and sale of spare parts and engines US\$	Moulds and repair services US\$	Total US\$
Revenue from external customers	50,835,092	9,832,005	474,695	61,141,792
Inter-segment revenue	-	19,900,838	460,637	20,361,475
Reportable segment revenue	50,835,092	29,732,843	935,332	81,503,267
Reportable segment (loss)/profit (adjusted EBIT)	(1,358,890)	794,904	(45,454)	(609,440)
Reportable segment assets	19,856,482	41,936,122	1,568,576	63,361,180
Reportable segment liabilities	27,156,798	15,240,166	288,728	42,685,692



4 SEGMENT REPORTING (Continued)

(a) Information about profit or loss, assets and liabilities (Continued)

	Six months ended 30 June 2015			
	Manufacture and sale of motorbikes US\$	Manufacture and sale of spare parts and engines US\$	Moulds and repair services US\$	Total US\$
Revenue from external customers	57,256,199	13,198,881	56,823	70,511,903
Inter-segment revenue	-	21,734,251	480,217	22,214,468
Reportable segment revenue	57,256,199	34,933,132	537,040	92,726,371
Reportable segment loss (adjusted EBIT)	(3,598,285)	(718,899)	(9,273)	(4,326,457)
Reportable segment assets	50,831,952	29,042,263	2,511,722	82,385,937
Reportable segment liabilities	9,436,814	6,420,141	91,563	15,948,518

The measure used for reporting segment profit or loss is "adjusted EBIT" i.e. "adjusted earnings or loss before interest and taxes", where "interest" is regarded as net finance income/costs. To arrive at adjusted EBIT the Group's loss is further adjusted for items not specifically attributed to individual segments, such as share of profit of an associate, directors' and auditors' remuneration and other head office or corporate administration costs.

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2016 US\$	2015 US\$
Reportable segment loss	(609,440)	(4,326,457)
Elimination of inter-segment profits	-	-
Reportable segment loss derived from Group's external customers	(609,440)	(4,326,457)
Net finance income	844,730	1,581,260
Share of profit of an associate	42,703	34,522
Unallocated corporate expenses	(764,824)	(1,002,550)
Consolidated loss before taxation	(486,831)	(3,713,225)



5 LOSS BEFORE TAXATION

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

(a) Net finance income

	Six months ended 30 June	
	2016	2015
	US\$	US\$
Interest income from banks	1,905,899	2,758,456
Finance income	1,905,899	2,758,456
Interest paid and payable to banks	(304,351)	(594,259)
Net foreign exchange loss	(756,818)	(582,937)
Finance costs	(1,061,169)	(1,177,196)
	844,730	1,581,260

(b) Staff costs

	Six months ended 30 June	
	2016	2015
	US\$	US\$
Salaries and wages	3,914,652	4,147,582
Staff welfare	1,222,159	747,687
Contributions to defined contribution retirement plans	473,207	479,834
	5,610,018	5,375,103

(c) Other items

	Six months ended 30 June	
	2016	2015
	US\$	US\$
Amortisation of lease prepayments/intangible assets	106,137	198,977
Depreciation of property, plant and equipment	1,770,080	2,424,777
Write-down of inventories (Note 9)	197,230	200,056
Research and development expenses	2,130,333	2,476,500



6 INCOME TAX

	Six months ended 30 June	
	2016	2015
	<i>US\$</i>	<i>US\$</i>
Current tax		
Provision for the period	46,129	67,579
Over-provision in respect of prior periods	(110)	(2,243)
	46,019	65,336
Deferred tax		
Origination and reversal of temporary differences	372	22,334
	46,391	87,670

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 six months ended 30 June 2016.

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 Co., Limited ("VMEP") is calculated at 18% of the taxable profits on motorbike assembling and manufacturing activities and at the rate of 10% of taxable profits on engine assembling and manufacturing activities. The applicable tax rate for profits from other operating activities is 25%.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000, the Investment Law of 2006, and the Law on Corporate Income Tax of 2003 in Vietnam, the applicable tax rate for Duc Phat Molds Inc. is 25% from 2013 onwards.

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

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

In accordance with the Corporate Income Tax Law of Taiwan, as amended in 2010, the applicable tax rate for Chin Zong Trading Co., Ltd. ("Chin Zong") is 17% if the taxable profit for the year is above New Taiwan Dollar ("NT\$") 120,000. Income tax is exempted if the taxable profit is below NT\$120,000.



7 LOSS PER SHARE**(a) Basic loss per share**

The calculation of basic loss per share is based on the loss for the period of US\$533,222 (six months ended 30 June 2015: US\$3,800,895) and 907,680,000 ordinary shares (2015: 907,680,000 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

The amount of diluted loss per share is the same as the basic loss per share for the six months ended 30 June 2016 and 2015 as there were no dilutive potential ordinary shares during the six months ended 30 June 2016 and 2015.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of US\$1,375,284 (six months ended 30 June 2015: US\$544,649).

9 INVENTORIES

During six months ended 30 June 2016, US\$197,230 (six months end 30 June 2015: US\$200,056) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of a write-down of inventories to estimated net realisable value. This write-down arose due to a decrease in the estimated net realisable value of certain inventories as a result of slow moving status.

10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2016 US\$	At 31 December 2015 US\$
Trade receivables	10,346,321	8,249,306
Non-trade receivables	21,450,116	18,363,761
Prepayments	2,594,574	2,231,285
Amounts due from related parties (non-trade)	958,646	497,580
	35,349,657	29,341,932



10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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

	At 30 June 2016 US\$	At 31 December 2015 US\$
Within 3 months	10,305,114	8,249,306
More than 3 months but within 1 year	39,266	–
More than 1 year	1,941	–
Trade receivables, net of allowance for doubtful debts	10,346,321	8,249,306
Represented by:		
External parties	9,517,628	7,968,784
Related parties	828,693	280,522
	10,346,321	8,249,306

The Group's exposure to credit risk is low as the Group generally offers no credit terms to domestic customers. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

Non-trade receivables mainly represented VAT recoverable of US\$16,870,510 (31 December 2015: US\$13,631,977) and interest receivable of US\$1,625,299 (31 December 2015: US\$2,075,479).

11 TRADE AND OTHER PAYABLES

	At 30 June 2016 US\$	At 31 December 2015 US\$
Trade payables	11,539,949	8,217,647
Other payables and accrued operating expenses	4,174,154	4,912,858
Advances from customers	199,104	123,455
Amounts due to related parties (non-trade)	2,935,033	2,101,114
	18,848,240	15,355,074



11 TRADE AND OTHER PAYABLES (Continued)

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2016 US\$	At 31 December 2015 US\$
Within 3 months	11,382,037	8,161,844
More than 3 months but within 1 year	156,406	46,994
More than 1 year	1,506	8,809
	11,539,949	8,217,647
Represented by:		
External parties	8,459,099	6,647,702
Related parties	3,080,850	1,569,945
	11,539,949	8,217,647

12 BANK LOANS

As of the end of the reporting period, the bank loans of the Group were secured by certain time deposits of the Group.

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All of the Group's financial instruments were carried at cost or amortised cost as at 31 December 2015 and 30 June 2016 and their carrying amounts are not materially different from their fair values.

14 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2016, transactions with the following parties are considered as material related party transactions:

Name of party	Relationship
Sanyang Motor Co., Ltd. ("Sanyang") (formerly known as Sanyang Industry Co., Ltd)	The ultimate holding company
Qingzhou Engineering Industry Co., Ltd.	A subsidiary of Sanyang
Sanyang Global Co., Ltd.	A subsidiary of Sanyang
Sanyang Motor Vietnam Co., Ltd.	A subsidiary of Sanyang
Xia Shing Xiamen Motorcycle 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



14 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**(a) Recurring transactions**

	Six months ended 30 June	
	2016	2015
	US\$	US\$
Sales of finished goods and spare parts:		
Sanyang Motor Co., Ltd.	269,605	256,670
Xia Shing Xiamen Motorcycle Co., Ltd.	9,283	–
	278,888	256,670
Purchases of raw materials and finished goods:		
Sanyang Motor Co., Ltd.	3,275,827	5,794,999
Qingzhou Engineering Industry Co., Ltd.	133,936	61,991
Sanyang Global Co., Ltd.	2,949,836	2,326,850
Xia Shing Xiamen Motorcycle Co., Ltd.	263,782	294,814
Vietnam Three Brothers Machinery Industry Co., Limited	1,778,243	1,459,416
	8,401,624	9,938,070
Purchases of property, plant and equipment:		
Sanyang Motor Co., Ltd.	1,316,758	39,597
Technology transfer fees:		
Sanyang Motor Co., Ltd.	1,472,117	1,612,434
Technical consultancy fee:		
Sanyang Motor Co., Ltd.	661,977	732,250



14 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**(b) Amounts due from related parties**

	At 30 June 2016 US\$	At 31 December 2015 US\$
Trade		
Sanyang Motor Co., Ltd.	53,678	34,698
Sanyang Global Co., Ltd.	775,015	237,145
Vietnam Three Brothers Machinery Industry Co., Ltd.	–	8,679
Sub-total	828,693	280,522
Non-trade		
Sanyang Motor Co., Ltd.	857,760	458,747
Vietnam Three Brothers Machinery Industry Co., Limited	86,019	38,833
Xia Shing Xiamen Motorcycle Co., Ltd.	14,867	–
Sub-total	958,646	497,580
Total	1,787,339	778,102

(c) Amounts due to related parties

	At 30 June 2016 US\$	At 31 December 2015 US\$
Trade		
Sanyang Motor Co., Ltd.	989,969	263,657
Qingzhou Engineering Industry Co., Ltd.	42,901	41,363
Sanyang Global Co., Ltd.	1,507,284	613,379
Xia Shing Xiamen Motorcycle Co., Ltd.	150,379	118,501
Vietnam Three Brothers Machinery Industry Co., Limited	390,317	533,045
Sub-total	3,080,850	1,569,945
Non-trade		
Sanyang Motor Co., Ltd.	2,935,033	2,101,114
Sub-total	2,935,033	2,101,114
Total	6,015,883	3,671,059

