

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

Financial Highlights :

	(Expressed in US\$'million)		
	Six months ended 30 June		
	2023	2022	Change Amount
• Revenue	60.6	62.2	(1.6)
• Gross profit	8.5	5.7	2.8
• Net profit after tax	3.0	0.3	2.7
• Earnings per share (US\$)	0.0033	0.0004	0.0029

The board of directors (the “**Board**”) of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “**Company**”) hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 – unaudited
(Expressed in United States dollars)

		Six months ended 30 June	
		2023	2022
	Note	US\$	US\$
Revenue	3	60,607,091	62,204,787
Cost of sales		<u>(52,150,569)</u>	<u>(56,514,409)</u>
Gross profit		8,456,522	5,690,378
Other income		301,940	733,247
Distribution costs		(3,025,594)	(2,957,170)
Technology transfer fees		(550,726)	(361,587)
Administrative and other operating expenses		<u>(3,379,916)</u>	<u>(3,208,970)</u>
Results from operations	1,802,226(104,102)
Finance income		2,549,405	1,426,288
Finance costs		<u>(1,095,253)</u>	<u>(895,813)</u>
Net finance income	4(a)1,454,152530,475
Impairment loss on other property, plant and equipment	4(c)	(255,900)	(134,352)
Impairment loss on prepayments for other property, plant and equipment	4(c)	-	(7,078)
Share of profit of an associate		<u>7,553</u>	<u>65,255</u>
		<u>(248,347)</u>	<u>(76,175)</u>
Profit before taxation	4	3,008,031	350,198
Income tax expense	5	<u>(6,891)</u>	<u>(3,969)</u>
Profit for the period		<u><u>3,001,140</u></u>	<u><u>346,229</u></u>

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

*For the six months ended 30 June 2023 – unaudited
(Expressed in United States dollars)*

	Note	Six months ended 30 June	
		2023	2022
		<i>US\$</i>	<i>US\$</i>
Other comprehensive income for the period (after tax)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries and an associate		(69,046)	(815,586)
Total comprehensive income for the period		2,932,094	(469,357)
Profit for the period attributable to:			
Equity shareholders of the Company		3,001,138	346,231
Non-controlling interests		2	(2)
		3,001,140	346,229
Total comprehensive income attributable to:			
Equity shareholders of the Company		2,932,092	(469,355)
Non-controlling interests		2	(2)
		2,932,094	(469,357)
Earnings per share			
- Basic and diluted	6	0.0033	0.0004

Consolidated Statement of Financial Position

At 30 June 2023 – unaudited

(Expressed in United States dollars)

	Note	At 30 June 2023 US\$	At 31 December 2022 US\$
Non-current assets			
Investment properties		4,061,797	4,076,156
Other property, plant and equipment	8	4,173,056	4,289,558
Interest in an associate		<u>613,327</u>	<u>605,801</u>
		<u>8,848,180</u>	<u>8,971,515</u>
Current assets			
Inventories		25,643,313	25,951,818
Trade receivables, other receivables and prepayments	9	37,174,399	36,799,492
Current tax recoverable		5,522	-
Cash and bank balances		<u>52,352,088</u>	<u>55,297,226</u>
		<u>115,175,322</u>	<u>118,048,536</u>
Current liabilities			
Trade and other payables	10	25,077,978	32,235,625
Bank loans		40,365,028	40,210,386
Lease liabilities		53,862	52,091
Current tax payable		-	19,879
Provisions		<u>2,368,028</u>	<u>1,247,288</u>
		<u>67,864,896</u>	<u>73,765,269</u>
Net current assets		<u>47,310,426</u>	<u>44,283,267</u>
Total assets less current liabilities		<u>56,158,606</u>	<u>53,254,782</u>
Non-current liabilities			
Deferred tax liabilities		33,154	33,607
Lease liabilities		<u>2,310,612</u>	<u>2,338,429</u>
		<u>2,343,766</u>	<u>2,372,036</u>
NET ASSETS		<u>53,814,840</u>	<u>50,882,746</u>

Consolidated Statement of Financial Position *(continued)*

At 30 June 2023— unaudited

(Expressed in United States dollars)

	At 30 June 2023 US\$	At 31 December 2022 US\$
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	<u>52,647,656</u>	<u>49,715,564</u>
Total equity attributable to equity shareholders of the Company	53,810,528	50,878,436
Non-controlling interests	<u>4,312</u>	<u>4,310</u>
TOTAL EQUITY	<u><u>53,814,840</u></u>	<u><u>50,882,746</u></u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2023, but is derived from the interim financial report.

The 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”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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.

The 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 2022 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 the Company's auditor, 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.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's auditor has reported on those financial statements. The auditor's report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

2. CHANGES IN ACCOUNTING POLICIES

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

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- 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 has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared and presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND 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 identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	<i>US\$</i>	<i>US\$</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
- Manufacture and sale of motorbikes	55,983,595	55,732,411
- Manufacture and sale of spare parts and engines	4,623,496	6,459,240
- Moulds and repair services	-	13,136
	<u>60,607,091</u>	<u>62,204,787</u>
Disaggregated by geographical location of customers		
- Vietnam (place of domicile)	14,145,519	17,281,811
- Thailand	35,460,716	24,226,319
- Malaysia	4,380,628	15,567,489
- Greece	1,859,542	2,446,854
- The Philippines	3,606,433	1,273,484
- Taiwan	75,109	56,850
- Other countries	1,079,144	1,351,980
	<u>60,607,091</u>	<u>62,204,787</u>

(b) Information about reportable segment revenue and profit or loss

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purpose of resource allocation and assessment of segment performance for the period is set out below:

	Six months ended 30 June 2023			
	Manufacture and sale of motorbikes US\$	Manufacture and sale of spare parts and engines US\$	Moulds and repair services US\$	Total US\$
Revenue from external customers recognised at point in time	55,983,595	4,623,496	-	60,607,091
Inter-segment revenue	-	<u>16,605,692</u>	-	<u>16,605,692</u>
Reportable segment revenue	<u>55,983,595</u>	<u>21,229,188</u>	<u>-</u>	<u>77,212,783</u>
Segment profit before depreciation	1,536,288	1,017,806	-	2,554,094
Depreciation	<u>(116,916)</u>	<u>-</u>	<u>-</u>	<u>(116,916)</u>
Reportable segment profit (“adjusted EBIT”)	1,419,372	1,017,806	-	2,437,178
Share of profit of an associate				7,553
Net finance income				1,454,152
Impairment loss on other property, plant and equipment				(255,900)
Unallocated corporate expenses				<u>(634,952)</u>
Profit before taxation				<u>3,008,031</u>

	Six months ended 30 June 2022			
	Manufacture and sale of motorbikes US\$	Manufacture and sale of spare parts and engines US\$	Moulds and repair services US\$	Total US\$
Revenue from external customers recognised at point in time	55,732,411	6,459,240	13,136	62,204,787
Inter-segment revenue	-	<u>16,986,415</u>	-	<u>16,986,415</u>
Reportable segment revenue	<u>55,732,411</u>	<u>23,445,655</u>	<u>13,136</u>	<u>79,191,202</u>
Segment profit before depreciation	839,123	17,245	11,876	868,244
Depreciation	<u>(313,533)</u>	<u>-</u>	<u>-</u>	<u>(313,533)</u>
Reportable segment profit (“adjusted EBIT”)	525,590	17,245	11,876	554,711
Share of profit of an associate				65,255
Net finance income				530,475
Impairment loss on other property, plant and equipment				(134,352)
Impairment loss on prepayments for other property, plant and equipment				(7,078)
Unallocated corporate expenses				<u>(658,813)</u>
Profit before taxation				<u>350,198</u>

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 other property, plant and equipment and prepayments for other property, plant and equipment (“**Motorbike non-current assets**”) and other head office or corporate administration expenses.

4. PROFIT BEFORE TAXATION

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

(a) Net finance income

	Six months ended 30 June	
	2023	2022
	<i>US\$</i>	<i>US\$</i>
Interest income from banks	(1,462,153)	(1,015,370)
Net foreign exchange gain	<u>(1,087,252)</u>	<u>(410,918)</u>
Finance income	<u>-----</u> (2,549,405)	<u>-----</u> (1,426,288)
Interest paid and payable to banks	1,013,686	811,765
Interest on lease liabilities	<u>81,567</u>	<u>84,048</u>
Finance costs	<u>-----</u> <u>1,095,253</u>	<u>-----</u> <u>895,813</u>
	<u>-----</u> <u>(1,454,152)</u>	<u>-----</u> <u>(530,475)</u>

(b) Staff costs

	Six months ended 30 June	
	2023	2022
	<i>US\$</i>	<i>US\$</i>
Salaries, wages and other benefits	5,177,633	4,699,970
Contributions to defined contribution retirement plans	<u>621,935</u>	<u>536,116</u>
	<u>-----</u> <u>5,799,568</u>	<u>-----</u> <u>5,236,086</u>

(c) Other items

	Six months ended 30 June	
	2023	2022
	US\$	US\$
Depreciation of investment properties and other property, plant and equipment	131,325	328,251
Gain on disposal of other property, plant and equipment	(68,932)	(129,744)
Write-down of inventories	206,256	26,690
Research and development expenses	710,454	630,994
Impairment loss on other property, plant and equipment [#]	255,900	134,352
Impairment loss on prepayments for other property, plant and equipment [#]	<u>-</u>	<u>7,078</u>

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

The Group suffered significant operating losses (before impairment losses on Motorbike non-current assets) over the past few years due to the fierce competition in the motorbike industry and increase of manufacturing cost on newly launched products. Based on an impairment assessment conducted by management, impairment losses totaling US\$255,900 (six months ended 30 June 2022: US\$141,430) was recognised in profit or loss during the period to write down the carrying amount of other property, plant and equipment and prepayments for other property, plant and equipment of the CGU to their recoverable amounts.

The recoverable amount of the CGU is determined based on the higher of its value-in-use and the fair value less costs of disposal. Management identified certain buildings included in the CGU, which carrying values are likely to be recovered through a sales transaction. The recoverable amounts of these buildings are measured based on their fair value less costs of disposal. This valuation model considers recent sales prices of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group’s buildings compared to the recent sales. Higher premium for higher quality buildings will result a higher fair value measurement. The fair value on which recoverable amount is based is categorised as a Level 3 measurement under the three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. Key unobservable inputs include the premium on quality of the buildings of 0%-13% (six months ended 30 June 2022: 2%-5%). For assets which management considers are likely to recover through continuing use, the Group assessed the recoverable amount based on a 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% (six months ended 30 June 2022: 13%).

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	US\$	US\$
Current tax		
Provision for the period	<u>6,891</u>	<u>3,969</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 six months ended 30 June 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 Co., Limited 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 is 15% from 2013 onwards.

In accordance with the Corporate Income Tax Law of Taiwan, as amended in 2019, the applicable tax rate for Chin Zong Trading Co., Ltd. is 20% 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.

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of US\$3,001,138 (six months ended 30 June 2022: US\$346,231) and the weighted average of 907,680,000 ordinary shares (2022: 907,680,000 ordinary shares) in issue during the interim period. The amount of basic earnings per share is US\$0.0033 for the six months ended 30 June 2023 (six months ended 30 June 2022: US\$0.0004).

(b) Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2023 and 2022 as there were no potential dilutive ordinary shares in existence during the six months ended 30 June 2023 and 2022.

7. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

8. OTHER PROPERTY, PLANT AND EQUIPMENT

(a) During the six months ended 30 June 2023, the Group recognised items of other property, plant and equipment with a cost of US\$264,367 (six months ended 30 June 2022: US\$1,678,387).

(b) Impairment losses

During the six months period ended 30 June 2023, an impairment loss of US\$255,900 (six months ended 30 June 2022: US\$134,352) was recognised in profit or loss for other property, plant and equipment (see note 4(c)).

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2023 US\$	At 31 December 2022 US\$
Trade receivables	18,955,035	19,740,540
Non-trade receivables	17,886,140	16,714,310
Prepayments	308,602	277,416
Amounts due from related parties		
- Trade	12,586	66,879
- Non-trade	12,036	347
	<u>37,174,399</u>	<u>36,799,492</u>

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 loss allowance, is as follows:

	At 30 June 2023 US\$	At 31 December 2022 US\$
Within 3 months	18,967,621	19,679,572
More than 3 months but within 1 year	-	127,847
	<u>18,967,621</u>	<u>19,807,419</u>

10. TRADE AND OTHER PAYABLES

	At 30 June 2023	At 31 December 2022
	<i>US\$</i>	<i>US\$</i>
Trade payables	5,706,333	8,431,671
Other payables and accrued operating expenses	3,672,515	5,359,558
Contract liabilities – billings in advance of performance	694,452	733,388
Amounts due to related parties		
- Trade	14,452,444	17,295,814
- Non-trade	552,234	415,194
	<u>25,077,978</u>	<u>32,235,625</u>

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

	At 30 June 2023	At 31 December 2022
	<i>US\$</i>	<i>US\$</i>
Within 3 months	20,141,972	25,718,605
More than 3 months but within 1 year	13,236	4,893
More than 1 year but within 5 years	3,569	3,987
	<u>20,158,777</u>	<u>25,727,485</u>

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. It also produces motorbike engines and parts for internal use and export as well as selling to overseas customers and providing services associated with moulds to make die-cast and forged metal parts.

OPERATION ENVIRONMENT

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

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 the first half of 2023 was 1,223,614 motorbikes, representing a decrease of 13.2% compared to the corresponding period of 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

For the six months ended 30 June 2023, the Group sold about 15,600 units of motorbikes (including about 2,800 units of scooters and 12,800 units of cubs) in Vietnam, representing a decrease of 16.2% as compared with the same period last year. The Group sold an aggregate of approximately 33,200 units of scooters and cubs by exporting to Association of Southeast Asian Nations (“ASEAN”) countries, representing an increase of 6.2% from the same period last 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 and soaring interest rates, have raised serious concerns about the purchasing power of the country, which in turn has translated into pessimism among consumers and a tendency to preserving their purchasing power. In the first half of 2023, the Group launched a variety of new and trendy scooters and cub motorbikes to satisfy the needs of young students and female consumers, and has introduced a brand-new scooter model “SHARK” in June 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 increase in the Group's total export sales to ASEAN countries was mainly attributable to the Group's continuous efforts in penetrating the Thai market and the timely introduction of brand-new models to accelerate the sales momentum in the Thai market, which drove the sales performance. In key market such as Malaysia, the significant depreciation of their currencies against the U.S. Dollar 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.

The Group is continually committed to integrating its sales network to match marketing strategies, enhancing brand awareness and maintaining customer loyalty. As of 30 June 2023, the Group's extensive distribution network comprised over 180 SYM authorised stores owned by dealers, covering every province in Vietnam.

FINANCIAL REVIEW

The Group's revenue decreased by 2.6% from US\$62.2 million for the six months ended 30 June 2022 to US\$60.6 million for the six months ended 30 June 2023. The Group recorded a net profit of US\$3.0 million for the six months ended 30 June 2023, representing an increase by US\$2.7 million as compared to the net profit of US\$0.3 million for the six months ended 30 June 2022. Further analysis on the operating results of the Group is set out below.

REVENUE

The Group's revenue for the six months ended 30 June 2023 was US\$60.6 million, representing a decrease of US\$1.6 million or 2.6% as compared with US\$62.2 million for the six months ended 30 June 2022. The Group aptly increased the selling prices of its products in response to the increase in international raw materials prices during 2023, however, sales volume decreased as Vietnam consumer preserve their purchasing power, which resulted in a decrease in revenue as compared to the same period of the previous year. For products exported to ASEAN countries, an adjustment in selling prices, coupled with an increase in sales volume for mid-to-higher-end products, have driven, the revenue growth, partially offset by the slowdown of sale in the Malaysia. The Group will continue to actively develop new models and wide variety of products to satisfy consumer demand and enhance the Group's revenue.

COST OF SALES

The Group's cost of sales decreased by 7.6%, from US\$56.5 million for the six months ended 30 June 2022 to US\$52.2 million for the six months ended 30 June 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. However, the increase in sales volume to ASEAN countries enabled the Group to strengthen its bargaining power and be in a better position to negotiate with suppliers, 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.

As a percentage of total revenue, the Group's cost of sales decreased from 90.9% for the six months ended 30 June 2022 to 86.0% for the six months ended 30 June 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

During the six months ended 30 June 2023, the Group recorded a gross profit and gross profit margin of approximately US\$8.5 million and 14.0% respectively (six months ended 30 June 2022: gross profit and gross profit margin of approximately US\$5.7 million and 9.1% respectively). The increase in gross profit and gross profit margin was attributable to the optimisation of the Group's product sales mix and the continuous enhancement of its product value in ASEAN countries, with the high-margin scooter models, which are widely popular among consumers, being the main driver of the Group's profitability. In addition, under the strategy of "ensuring profit comes first", the Group has driven the selling prices of domestic and overseas products and strengthened its bargaining power with suppliers to partially offset the impact of rising cost pressures of raw materials and maintain an appropriate profit margin for its products.

DISTRIBUTION EXPENSES

The Group's distribution expenses increased by 2.4%, from US\$2.96 million for the six months ended 30 June 2022 to US\$3.03 million for the six months ended 30 June 2023. The increase in distribution expenses was mainly attributable to the increase in transportation-related expenses and package expenses resulting from the increasing export sales volume of the Group to ASEAN countries.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative and other operating expenses increased by 6.3%, from US\$3.2 million for the six months ended 30 June 2022 to US\$3.4 million for the six months ended 30 June 2023. The administrative and other operating expenses accounted for 5.6% of the Group's total revenue for the six months ended 30 June 2023. The increase was principally due to a slight increase in staff costs and office expenses.

RESULTS FROM OPERATIONS

As a result of the above factors, the Group's results from operations recorded a profit of US\$1.8 million for the six months ended 30 June 2023, which was an improvement by US\$1.9 million, as compared to a loss from operations of US\$0.1 million recorded for the six months ended 30 June 2022.

NET FINANCE INCOME

The Group's net finance income increased by 200.0%, from US\$0.5 million for the six months ended 30 June 2022 to US\$1.5 million for the six months ended 30 June 2023. Such increase was mainly attributable to (1) an increase in bank interest income by US\$0.5 million, (2) an increase in foreign exchange incomes of US\$0.7 million arising from fluctuation of the Vietnamese Dong against the US dollar and (3) an increase in bank interest expense by US\$0.2 million.

IMPAIRMENT LOSS ON OTHER PROPERTY, PLANT AND EQUIPMENT

Due to the poor results of the Group's manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment in the prior years, the Group considered it was an indication that the other property, plant and equipment for the manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment (the "**Relevant PPE**") may be impaired. Accordingly, the Group carried out an impairment testing on the Relevant PPE and noted an impairment loss of approximately US\$0.3 million on the other property, plant and equipment was required during the six months ended 30 June 2023.

PROFIT FOR THE PERIOD AND MARGIN

As a result of the above factors, the Group recorded a net profit of US\$3.0 million for the six months ended 30 June 2023, representing an increase of US\$2.7 million, as compared to the net profit of US\$0.3 million for the six months ended 30 June 2022. The Group's net profit margin increased from 0.6% for the six months ended 30 June 2022 to 5.0% for the six months ended 30 June 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group's net current assets amounted to US\$47.3 million (31 December 2022: US\$44.3 million) which consisted of current assets amounting to US\$115.2 million (31 December 2022: US\$118.1 million) and current liabilities amounting to US\$67.9 million (31 December 2022: US\$73.8 million).

As at 30 June 2023, the Group had bank loans repayable within one year of US\$40.4 million (31 December 2022: US\$40.2 million). As at 30 June 2023, the Group had no interest-bearing bank loans repayable beyond one year (31 December 2022: Nil). As at 30 June 2023, the gearing ratio was 75.0% (31 December 2022: 79.0%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2023, the cash and bank balances (including time deposits) amounted to US\$52.4 million, including US\$46.2 million denominated in Vietnamese Dong, US\$5.7 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\$6.9 million denominated in US dollar and US\$0.5 million denominated in New Taiwan dollar).

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group's long-term development. There was no change in the Group's approach to capital management during the six months ended 30 June 2023.

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 of 30 June 2023, the Group did not use any financial instrument to hedge its foreign exchange risks.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group offers competitive remuneration packages to its staff in Vietnam and Taiwan, 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 2023, the Group had 1,152 employees (30 June 2022: 1,127). The total amount of salaries and related costs for the employees for the six months ended 30 June 2023 amounted to approximately US\$5.8 million (six months ended 30 June 2022: approximately US\$5.2 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material capital commitments and contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2023, the Group had no material acquisition or disposal of subsidiaries and associated companies.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHANGES SINCE 31 DECEMBER 2022

Save as disclosed in this announcement, since 31 December 2022, 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 2022.

PROSPECTS

Looking ahead to the second half of 2023, considering the complicated and highly uncertain economic environment, the Group will follow a very cautious approach to ensure corporate sustainability. The Group will also closely and carefully monitor the motorbikes manufacturing and sales industry, the latest development of inflation and purchasing power and adjust its business strategies from time to time if required. For domestic sales, the Group will continue to focus on the Vietnamese student market and capitalise on the peak season with our major product, cub motorbikes. The Group will also organise a motorbike driving safety education campaign in schools throughout the nation and strengthen its online brand promotional activities to attract more potential consumers. For export sales, the Group will step up further to engage in marketing, enhance the brand loyalty and launch new products with enhanced product strength, so as to achieve further sales success. 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 and maintenance services.

The Group will adhere to its operating approach of focusing on its primary business, product quality and customers' satisfaction. The Group will adopt product innovation as its key strategy to further strengthen its capabilities in product design and core technology development. The Group will seize all available development opportunities to enhance its long-term profitability and maximise returns to the shareholders of the Company.

APPLICATION OF INTIAL 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 30 June 2023:

	Net proceeds from the initial public offering as stated in the Prospectus and the Announcement <i>Approximately in US\$' million</i>	Amounts utilised as at 30 June 2023 <i>Approximately in US\$' million</i>	Balance unutilised as at 30 June 2023 <i>Approximately in US\$' million</i>
Construction of research and development centre in Vietnam	11.7	11.7	–
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	15.0	15.0	–
Mergers and acquisitions	9.0	9.0	–
General working capital	2.7	2.7	–
Development of production sites as well as the relocation of existing production facilities	15.0	12.3	2.7
Land development	<u>19.3</u>	<u>4.2</u>	<u>15.1</u>
Total	<u><u>76.7</u></u>	<u><u>58.9</u></u>	<u><u>17.8</u></u>

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

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

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2023, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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**”) contained in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors of the Company. Having made specific enquiry of all 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 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the directors of the Company, the Company has maintained a sufficient public float as required under the Listing Rules during the six months ended 30 June 2023 and up to the date of this announcement.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Subsequent to the six months ended 30 June 2023 and up to the date of this announcement, there were no significant events that might affect the Group.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 June 2023 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.

The interim results is unaudited, but has been reviewed by the Company’s auditor, 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

Lastly, we would like to express the sincerest 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.

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

Hong Kong, 10 August 2023

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