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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Financial Highlights :

	(expressed in US\$'million)		
	Six months ended 30 June		
	2021	2020	Change Amount
• Revenue	60.0	27.8	32.2
• Gross profit	5.4	2.4	3.0
• Net loss after tax	(1.2)	(4.2)	3.0
• Loss per share (US\$)	(0.001)	(0.005)	0.004

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 (the “**Group**”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the six months ended 30 June 2021 – unaudited
(Expressed in United States dollars)*

		Six months ended 30 June	
	Note	2021	2020
		US\$	US\$
Revenue	3	59,955,149	27,782,529
Cost of sales		<u>(54,536,040)</u>	<u>(25,379,930)</u>
Gross profit		5,419,109	2,402,599
Other income		196,342	437,639
Distribution costs		(3,316,607)	(2,085,125)
Technology transfer fees		(468,634)	(177,854)
Administrative and other operating expenses		<u>(3,539,583)</u>	<u>(3,418,334)</u>
Results from operation	(1,709,373)(2,841,075)
Finance income		1,225,711	1,143,861
Finance costs		<u>(441,851)</u>	<u>(511,176)</u>
Net finance income	4(a)783,860632,685
Impairment loss on other property, plant and equipment	4(c)	(282,986)	(2,018,855)
Impairment loss on prepayments for other property, plant and equipment	4(c)	(35,564)	-
Share of profit/(loss) of an associate		<u>39,412</u>	<u>(12,067)</u>
		<u>(279,138)</u>	<u>(2,030,922)</u>
Loss before taxation	4	(1,204,651)	(4,239,312)
Income tax credit/(expense)	5	<u>12,580</u>	<u>(435)</u>
Loss for the period		<u>(1,192,071)</u>	<u>(4,239,747)</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 – unaudited (continued)
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2021	2020
		US\$	US\$
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		<u>236,154</u>	<u>(239,646)</u>
Total comprehensive income for the period		<u><u>(955,917)</u></u>	<u><u>(4,479,393)</u></u>
Loss for the period attributable to:			
Equity shareholders of the Company		(1,192,069)	(4,239,745)
Non-controlling interests		<u>(2)</u>	<u>(2)</u>
		<u><u>(1,192,071)</u></u>	<u><u>(4,239,747)</u></u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		(955,915)	(4,479,391)
Non-controlling interests		<u>(2)</u>	<u>(2)</u>
		<u><u>(955,917)</u></u>	<u><u>(4,479,393)</u></u>
Loss per share			
- Basic and diluted	6	<u><u>(0.001)</u></u>	<u><u>(0.005)</u></u>

Consolidated Statement of Financial Position

At 30 June 2021 – unaudited

(Expressed in United States dollars)

	Note	At 30 June 2021 US\$	At 31 December 2020 US\$
Non-current assets			
Investment properties		4,170,900	4,168,310
Other property, plant and equipment	8	2,970,235	3,035,417
Interest in an associate		621,847	580,039
Deferred tax assets		<u>88,686</u>	<u>87,913</u>
		<u>7,851,668</u>	<u>7,871,679</u>
Current assets			
Inventories		27,530,234	25,415,896
Trade receivables, other receivables and prepayments	9	30,932,553	24,797,444
Current tax recoverable		32,620	31,851
Cash and bank balances		<u>49,054,104</u>	<u>49,078,816</u>
		<u>107,549,511</u>	<u>99,324,007</u>
Current liabilities			
Trade and other payables	10	18,684,048	17,352,943
Bank loans		38,374,324	30,529,160
Lease liabilities		24,593	39,800
Current tax payable		-	1,764
Provisions		<u>1,104,253</u>	<u>1,100,406</u>
		<u>58,187,218</u>	<u>49,024,073</u>
Net current assets		<u>49,362,293</u>	<u>50,299,934</u>
Total assets less current liabilities		57,213,961	58,171,613
Non-current liabilities			
Lease liabilities		<u>698,208</u>	<u>699,943</u>
NET ASSETS		<u>56,515,753</u>	<u>57,471,670</u>

Consolidated Statement of Financial Position

At 30 June 2021 – unaudited (continued)

(Expressed in United States dollars)

	At 30 June 2021 US\$	At 31 December 2020 US\$
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	<u>55,348,572</u>	<u>56,304,487</u>
Total equity attributable to equity shareholders of the Company	56,511,444	57,467,359
Non-controlling interests	<u>4,309</u>	<u>4,311</u>
TOTAL EQUITY	<u><u>56,515,753</u></u>	<u><u>57,471,670</u></u>

NOTES TO THE INTERIM RESULTS ANNOUNCEMENT

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 2021, 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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 2020 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 IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. 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 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 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) 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	
	2021	2020
	<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	53,943,313	22,569,854
- Manufacture and sale of spare parts and engines	5,943,676	5,129,208
- Moulds and repair services	<u>68,160</u>	<u>83,467</u>
	<u><u>59,955,149</u></u>	<u><u>27,782,529</u></u>
Disaggregated by geographical location of customers		
- Vietnam (place of domicile)	16,902,821	13,588,058
- Malaysia	16,345,310	5,899,272
- Thailand	22,591,753	2,932,629
- The Philippines	1,534,863	2,786,172
- Greece	1,343,044	1,059,461
- Taiwan	67,048	557,874
- Other countries	<u>1,170,310</u>	<u>959,063</u>
	<u><u>59,955,149</u></u>	<u><u>27,782,529</u></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 2021			
	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	53,943,313	5,943,676	68,160	59,955,149
Inter-segment revenue	-	<u>15,418,247</u>	-	<u>15,418,247</u>
Reportable segment revenue	<u>53,943,313</u>	<u>21,361,923</u>	<u>68,160</u>	<u>75,373,396</u>
Segment (loss)/profit before depreciation	(212,830)	(597,897)	6,693	(804,034)
Depreciation	<u>(76,325)</u>	-	-	<u>(76,325)</u>
Reportable segment (loss) /profit (“adjusted EBIT”)	(289,155)	(597,897)	6,693	(880,359)
Share of profit of an associate				39,412
Net finance income				783,860
Impairment loss on other property, plant and equipment				(282,986)
Impairment loss on prepayments for other property, plant and equipment				(35,564)
Unallocated corporate expenses				<u>(829,014)</u>
Loss before taxation				<u>(1,204,651)</u>

	Six months ended 30 June 2020			
	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	22,569,854	5,129,208	83,467	27,782,529
Inter-segment revenue	-	<u>1,016,899</u>	-	<u>1,016,899</u>
Reportable segment revenue	<u>22,569,854</u>	<u>6,146,107</u>	<u>83,467</u>	<u>28,799,428</u>
Segment (loss)/profit before depreciation	(908,789)	(1,036,927)	15,739	(1,929,977)
Depreciation	<u>(75,435)</u>	-	-	<u>(75,435)</u>
Reportable segment (loss) /profit (“adjusted EBIT”)	(984,224)	(1,036,927)	15,739	(2,005,412)
Share of loss of an associate				(12,067)
Net finance income				632,685
Impairment loss on other property, plant and equipment				(2,018,855)
Unallocated corporate expenses				<u>(835,663)</u>
Loss before taxation				<u>(4,239,312)</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/(loss) 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. LOSS BEFORE TAXATION

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

(a) Net finance income

	Six months ended 30 June	
	2021	2020
	<i>US\$</i>	<i>US\$</i>
Interest income from banks	(954,293)	(1,058,423)
Net foreign exchange gain	<u>(271,418)</u>	<u>(85,438)</u>
Finance income	<u><u>(1,225,711)</u></u>	<u><u>(1,143,861)</u></u>
Interest paid and payable to banks	416,604	484,756
Interest on lease liabilities	<u>25,247</u>	<u>26,420</u>
Finance costs	<u><u>441,851</u></u>	<u><u>511,176</u></u>
	<u><u>(783,860)</u></u>	<u><u>(632,685)</u></u>

(b) Staff costs

	Six months ended 30 June	
	2021	2020
	<i>US\$</i>	<i>US\$</i>
Salaries, wages and other benefits	5,242,101	4,676,091
Contributions to defined contribution retirement plans	602,743	645,920
Severance pay allowance	<u>48,654</u>	<u>31,401</u>
	<u><u>5,893,498</u></u>	<u><u>5,353,412</u></u>

(c) **Other items**

	Six months ended 30 June	
	2021	2020
	<i>US\$</i>	<i>US\$</i>
Depreciation of investment properties and other property, plant and equipment	90,942	89,795
Gain on disposal of other property, plant and equipment	(52,013)	(388)
Write-down of inventories	343,322	63,045
Research and development expenses	813,607	913,806
Impairment loss on other property, plant and equipment [#]	282,986	2,018,855
Impairment loss on prepayments for other property, plant and equipment [#]	<u>35,564</u>	<u>-</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\$318,550 (six months ended 30 June 2020: US\$2,018,855) was recognised in profit or loss during the period 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 of US\$2,970,235 during the period (30 June 2020: US\$3,098,805).

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. During the period, 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 3% (six months ended 30 June 2020: 4%). 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 15% (six months ended 30 June 2020: 15%).

5. INCOME TAX (CREDIT)/ EXPENSE

	Six months ended 30 June	
	2021	2020
	US\$	US\$
Current tax		
Provision for the period	-	413
(Over)/under -provision in respect of prior periods	<u>(12,580)</u>	<u>22</u>
	<u><u>(12,580)</u></u>	<u><u>435</u></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 2021 and 2020.

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, the Investment Law of 2006, and the Law on Corporate Income Tax of 2003 in Vietnam, the applicable tax rate for Duc Phat Molds Inc. is 20% from 2016 onwards.

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

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

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

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of US\$1,192,069 (six months ended 30 June 2020: US\$4,239,745) and the weighted average of 907,680,000 ordinary shares (2020: 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 2021 and 2020 as there were no potential dilutive ordinary shares in existence during the six months ended 30 June 2021 and 2020.

7. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

8. OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions of other property, plant and equipment

During the six months ended 30 June 2021, the Group acquired items of other property, plant and equipment with a cost of US\$284,564 (six months ended 30 June 2020: US\$2,018,855).

(b) Impairment losses

During the six months period ended 30 June 2021, an impairment loss of US\$282,986 (six months ended 30 June 2020: US\$2,018,855) 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 2021 US\$	At 31 December 2020 US\$
Trade receivables	15,361,848	12,360,754
Non-trade receivables	15,069,272	12,106,333
Prepayments	342,911	147,313
Amounts due from related parties		
Trade	158,522	103,261
Non-trade	-	79,783
	<u>30,932,553</u>	<u>24,797,444</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 2021 US\$	At 31 December 2020 US\$
Within 3 months	15,518,270	12,252,029
More than 3 months but within 1 year	<u>2,100</u>	<u>211,986</u>
	<u>15,520,370</u>	<u>12,464,015</u>

10. TRADE AND OTHER PAYABLES

	At 30 June 2021	At 31 December 2020
	<i>US\$</i>	<i>US\$</i>
Trade payables	5,339,465	6,005,364
Other payables and accrued operating expenses	4,330,666	6,518,201
Contract liabilities – billings in advance of performance	2,437,588	596,014
Amounts due to related parties		
Trade	6,075,442	2,640,028
Non-trade	<u>500,887</u>	<u>1,593,336</u>
	<u><u>18,684,048</u></u>	<u><u>17,352,943</u></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 2021	At 31 December 2020
	<i>US\$</i>	<i>US\$</i>
Within 3 months	11,374,744	8,465,316
More than 3 months but within 1 year	27,442	169,035
More than 1 year but within 5 years	<u>12,721</u>	<u>11,041</u>
	<u><u>11,414,907</u></u>	<u><u>8,645,392</u></u>

11. COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June 2021	At 31 December 2020
	<i>US\$</i>	<i>US\$</i>
Contracted for	<u><u>1,254,140</u></u>	<u><u>1,249,008</u></u>

12. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in Vietnam. Whilst the Group has put in place contingency measures to lower the impact to its business operations, some disruptions have been unavoidable. Subsequent to the reporting period, due to the tightened COVID-19 prevention measures declared in major cities in Vietnam, the Group suspended the operations of the Vietnam Nhon Trach Production Facility for a period of time (“**temporary suspension**”). Details of temporary suspension was disclosed in the Company's announcements dated 21 July 2021 and 2 August 2021.

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

During the first half of 2021, Vietnam and ASEAN countries continued to be affected by the impact of the novel coronavirus (the "COVID-19"). The supply chains were disrupted while business and trading activities came to a halt due to the pandemic and preventive quarantine arrangements, resulting in a decline in consumer confidence and an extremely volatile market. The operating performance of the Group was also restrained during the period.

The outbreak of two waves of COVID-19 pandemic in Vietnam in the first half of 2021 and the subsequent adoption of social distancing policy have imposed negative impacts on business and trading activities. The major export markets, including Malaysia and the Philippines, have also experienced a resurgence of the COVID-19 pandemic. In response, the local governments implemented lock-down measures, resulting in lower income of the people and a decline in consumer sentiment, which in turn has affected the Group's manufacturing and sales activities. The pandemic has been relatively gentle in Thailand as compared to the situations in the aforementioned countries, and its overall business environment has been more stable than other ASEAN countries.

In addition to the above-mentioned impacts of the COVID-19 pandemic, there is still keen competition in the business environment in Vietnam and ASEAN countries. Facing such operating pressure, the management of the Group will continue to devote its best efforts to proactively identify potential business opportunities and pursue sustainable development in order to ensure stability in production and keep its operation in order with a view to minimise the adverse impacts.

BUSINESS REVIEW

For the six months ended 30 June 2021, the Group sold about 19,800 units of motorbikes (including about 2,400 units of scooters, 17,200 units of cubs and 200 units of electric motorbikes) in Vietnam, representing an increase of 32% as compared with the same period last year. The sales results of the Group has not become sluggish under the COVID-19 pandemic was mainly attributed to its efforts to proactively roll out several modified motorbike models during the first half of 2021, which were well received by consumers. Moreover, given the shortage of raw materials in the global supply chain and the rising prices of components, the Group has gradually raised the selling price of its products since May 2021 while distributors in Vietnam have been pre-ordering products in anticipation of the price increase.

The Group sold an aggregate of approximately 29,700 units of scooters and cubs by exporting to ASEAN countries, representing an increase of 126% from the same period last year. Such increase was mainly attributed to the Group's efforts to proactively expand its sales market to Thailand and Greece. Since the pandemic has been under control in Thailand, sales of the motorbike models for which the Group provided original equipment manufacturing services for Lambretta (a brand under the Group's partner) remained stable. Moreover, the DRONE model, a high-quality scooter developed jointly with a renowned local motorbike manufacturer in Thailand, GP Motor (Thailand) Co., LTD, was well received by the mid-to-high-end market in Thailand, the launch of which caused a sensation in the market and has successfully driven the sales. In the Greek market, the Group's two products, which were launched in response to the more stringent environmental emission regulation "EURO5", provide enhanced power output with reliability and durability, and saw steady monthly sales growth in the first half of 2021. In Malaysia, the Group's focused export market, sales of the major advanced-level models of VF-series motorbikes grew steadily during the first half of 2021 with the stable control of the COVID-19 pandemic, while the newly launched JET X scooter model, targeting the mature white-collar market, received an

enthusiastic response from the market. However, with the resurgence and spread of the COVID 19 pandemic in Malaysia, the Group's sales in the country were slowed or suspended, which directly affected the local operations.

Despite the challenges posed by the volatility of the COVID-19 pandemic in Vietnam and ASEAN countries during the first half of 2021, the Group has continued its efforts to implement flexible procurement of raw materials and components, control of product inventory levels and a number of cost-saving measures so as to stabilise its operations.

FINANCIAL REVIEW

The Group's revenue increased by 116% from US\$27.8 million for the six months ended 30 June 2020 to US\$60.0 million for the six months ended 30 June 2021. The Group's net loss for the six months ended 30 June 2021 decreased by US\$3.0 million, from a net loss of US\$4.2 million for the six months ended 30 June 2020 to a net loss of US\$1.2 million for the six months ended 30 June 2021. 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 2021 was US\$60.0 million, representing an increase of US\$32.2 million or 116% as compared with US\$27.8 million for the six months ended 30 June 2020. Such increase was attributed to the following reasons: For domestic sales in Vietnam, local distributors placed orders in advance of the Group's upward adjustment strategy for its product price, which boosted sales and hence revenue, and the rise in product price also contributed to the revenue growth. For export sales, the revenue growth was driven by increased sales of mid-to-high-end products, partially offset by the slowdown or suspension of sales activities due to the recurrent outbreak of the COVID-19 pandemic in ASEAN countries.

The principal scooter models include ATTILA-V, ELIZABETH, ELITE and SHARK, and cub models of ELEGANT, GALAXY, START X, AMIGO and ANGELA.

COST OF SALES

The Group's cost of sales increased by 115%, from US\$25.4 million for the six months ended 30 June 2020 to US\$54.5 million for the six months ended 30 June 2021. Such increase was mainly attributed to the increase in sales volume and the shortage of raw materials and higher prices of components. The increase in sales volume also facilitated the efficiency of the Group's scale-up production, which in turn reduced production costs and offset some of the increase in costs.

As a percentage of total revenue, the Group's cost of sales decreased from 91.4% for the six months ended 30 June 2020 to 91.0% for the six months ended 30 June 2021. The Group will continue to strive to decrease the production cost per unit and stabilise production costs by developing new sourcing channels and reselecting suppliers.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the six months ended 30 June 2021, the Group recorded a gross profit and gross profit margin of approximately US\$5.4 million and 9.0% respectively (six months ended 30 June 2020: gross profit and gross profit margin of approximately US\$2.4 million and 8.6% respectively). The Group's profitability improved mainly due to the implementation of price adjustment strategies in the Vietnam market, proactive development of new products and market expansion in export markets, as well as optimisation of product sales structure.

DISTRIBUTION EXPENSES

The Group's distribution expenses increased by 57%, from US\$2.1 million for the six months ended 30 June 2020 to US\$3.3 million for the six months ended 30 June 2021. Such increase was mainly attributed to the Group's increased funding for marketing expenses in new sales channels, the increase in sales incentives payable to distributors in line with the growth in sales, as well as the increase in logistics-related expenses in the first half of 2021.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative and other operating expenses increased by 3%, from US\$3.4 million for the six months ended 30 June 2020 to US\$3.5 million for the six months ended 30 June 2021. The administrative and other operating expenses accounted for 6% of the Group's total revenue for the six months ended 30 June 2021. Such increase was mainly in line with the growth in sales and the consequent increase in overall administrative expenses. The Group has adopted a stringent budgetary control system while administrative and other operating expenses have stabilised, the rates of such expenses have declined steadily due to the revenue growth.

RESULTS FROM OPERATION

As a result of the factors discussed above, the Group's results from operation improved by US\$1.1 million, from a loss of US\$2.8 million for the six months ended 30 June 2020 to a loss of US\$1.7 million for the six months ended 30 June 2021.

NET FINANCE INCOME

The Group's net finance income increased by 33%, from US\$0.6 million for the six months ended 30 June 2020 to US\$0.8 million for the six months ended 30 June 2021. Such increase was mainly attributable to a decrease in bank interest income by US\$0.1 million, decrease in bank interest expense by US\$0.07 million and increase in foreign exchange incomes of US\$0.2 million arising from fluctuation of the Vietnamese Dong against the US dollar.

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

Due to the poor results of the Group's manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment during the six months ended 30 June 2021, 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") and prepayments for other property, plant and equipment may be impaired. Accordingly, the Group carry out an impairment testing on the Relevant PPE and prepayments for other property, plant and equipment and noted an impairment loss of approximately US\$0.3 million on the other property, plant and equipment and prepayments for other property, plant and equipment were required as at the six months ended 30 June 2021.

LOSS FOR THE PERIOD AND MARGIN

As a result of the factors discussed above, the Group's net loss decreased by US\$3.0 million, from a loss of US\$4.2 million for the six months ended 30 June 2020 to a loss of US\$1.2 million for the six months ended 30 June 2021. The Group's net loss margin improved from 15.3% for the six months ended 30 June 2020 to 2.0% for the six months ended 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group's net current assets amounted to US\$49.4 million (31 December 2020: US\$50.3 million) which consisted of current assets amounting to US\$107.5 million (31 December 2020: US\$99.3 million) and current liabilities amounting to US\$58.2 million (31 December 2020: US\$49.0 million).

As at 30 June 2021, the Group had bank loans repayable within one year of US\$38.4 million (31 December 2020: US\$30.5 million). As at 30 June 2021, the Group had no interest-bearing bank loans repayable beyond one year (31 December 2020: Nil). As at 30 June 2021, the gearing ratio was 68% (31 December 2020: 53%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2021, the cash and bank balances (including bank deposits) amounted to US\$49.1 million, including US\$42.5 million denominated in Vietnamese Dong and US\$6.4 million denominated in US dollar (31 December 2020: US\$49.1 million, which mainly included US\$37.9 million denominated in Vietnamese Dong and US\$11.1 million denominated in US 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 2021.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnamese Dong and US dollar. The Group was not exposed to material exchange rate risk and had not employed any financial 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 and US dollar.

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 2021, the Group had 1,188 employees (30 June 2020: 1,292). The total amount of salaries and related costs for the employees for the six months ended 30 June 2021 amounted to approximately US\$5.9 million (six months ended 30 June 2020: US\$5.4 million).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2021, the Group had no material acquisition or disposal of subsidiaries and associated companies.

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Save as disclosed in this announcement, since 31 December 2020, 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 2020.

PROSPECTS

Looking ahead to the second half of 2021, the fluctuations of the COVID-19 pandemic will create a series of uncertainties for Vietnam and ASEAN countries. The economic recovery of ASEAN countries will depend, to a large extent, on the efficiency of the rapid and large-scale vaccination programs and sustainable recovery policies implemented by the respective governments. The Group will continue to closely monitor the development of the pandemic and market changes in Vietnam and ASEAN countries, so as to respond flexibly and make appropriate decisions.

Amid the tough business environment, the Group will adhere to its operating approach of focusing on its primary business, product quality and customers' satisfaction. The Group will adopt product innovation as its key strategy to further strengthen its capabilities in product design and core technology development. In the second half of 2021, 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; and the Group will also launch tailor-made models for working-class customers to thrive in such market. For export sales, the Group has accelerated the upgrading of the engine power of our hot-selling DRONE model and further refined the appearance and colour combinations of

our products, so as to achieve further sales success in the Thai market. 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. In ASEAN countries, the Group will step up further to engage in marketing and promotional activities, and to provide better after-sales services overseas.

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

APPLICATION OF IPO PROCEEDS

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

The table below sets out the detailed items of the use of proceeds from the initial public offering as at 30 June 2021:

	Net proceeds from the initial public offering as stated in the Prospectus and the Announcement Approximately in US\$’ million	Amounts utilised as at 30 June 2021 Approximately in US\$’ million	Balance unutilised as at 30 June 2021 Approximately in US\$’ million
Construction of research and development centre in Vietnam	11.7	11.7	–
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	15.0	15.0	–
Mergers and acquisitions	9.0	9.0	–
General working capital	2.7	2.7	–
Development of production sites as well as the relocation of existing production facilities	15.0	11.1	3.9
Land development	<u>19.3</u>	<u>4.2</u>	<u>15.1</u>
Total	<u><u>76.7</u></u>	<u><u>57.7</u></u>	<u><u>19.0</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.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2021, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for the following deviation:

Paragraph A.5.2 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 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 2021.

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, as of the date of this announcement, the Company has maintained the prescribed public float of no less than 25% under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

In early July 2021, following the outbreak of the COVID-19 pandemic in Vietnam, the local government has continued to implement a series of containment measures. As a result of the measures implemented, the Group has temporarily suspended the operations of its production facility in Nhon Trach Industrial Zone II of Dong Nai Province in Vietnam for a few weeks, with effect from 22 July 2021.

Up to the date of this announcement, given the rapidly changing nature of the COVID-19 outbreak, the Group will continue to closely monitor the development of the COVID-19 pandemic in Vietnam and will provide further updates as and when any other significant developments arise.

Save as disclosed above, there is no material subsequent event taken place by the Group after 30 June 2021 and up to the date of this announcement.

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

During the six months ended 30 June 2021, 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 2021 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 2021 (2020: Nil). Accordingly, no closure of the register of members of the Company is proposed.

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 on the Company's website at www.vmeph.com. The 2021 interim report of the Company will also be published on the aforesaid websites in due course.

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 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, 11 August 2021

As at the date of this announcement, the Board comprised four executive directors, namely Mr. Liu Wu Hsiung, Mr. Cheng Hsu Chi, Mr. Lin Chun Yu and Mr. Chiang Chin Yung, two non-executive directors, namely 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.