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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 2016**

**Financial Highlights :**

	( expressed in US\$'million )		
	<b>Six months ended 30 June</b>		
	<b>2016</b>	<b>2015</b>	<b>change</b>
• Total Revenue	61.1	70.5	-13%
• Gross Profit	7.3	5.4	+35%
• Net Loss after Tax	(0.5)	(3.8)	+87%
• Loss per share (US\$)	(0.001)	(0.004)	+75%

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 2016 together with the comparative figures for the corresponding period in 2015.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016- unaudited

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

# Consolidated Statement of Financial Position

At 30 June 2016-unaudited

	Note	At 30 June 2016 US\$	At 31 December 2015 US\$
<b>Non-current assets</b>			
Property, plant and equipment		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		<u>780,130</u>	<u>774,244</u>
		24,529,998	24,804,991
<b>Current assets</b>			
Inventories		21,525,749	20,649,546
Trade receivables, other receivables and prepayments	7	35,349,657	29,341,932
Time deposits maturing after three months		46,223,934	81,550,559
Cash and cash equivalents		<u>52,634,038</u>	<u>20,988,920</u>
		155,733,378	152,530,957
<b>Current liabilities</b>			
Trade and other payables	8	18,848,240	15,355,074
Bank loans		23,676,884	24,558,291
Current tax payable		25,162	53,847
Provisions		<u>993,836</u>	<u>1,018,653</u>
		43,544,122	40,985,865
<b>Net current assets</b>		<u>112,189,256</u>	<u>111,545,092</u>
<b>Total assets less current liabilities</b>		<u>136,719,254</u>	<u>136,350,083</u>
<b>Non-current liability</b>			
Deferred tax liabilities		<u>59,653</u>	<u>58,766</u>
<b>Net assets</b>		<u>136,659,601</u>	<u>136,291,317</u>
<b>Capital and reserves</b>			
Share capital		1,162,872	1,162,872
Reserves		<u>135,496,729</u>	<u>135,128,445</u>
<b>Total equity</b>		<u>136,659,601</u>	<u>136,291,317</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 2016, 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 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 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 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 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 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.

### 2. 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.

### 3. 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

	<b>Six months ended 30 June 2016</b>			
	<b>Manufacture and sale of motorbikes US\$</b>	<b>Manufacture and sale of spare parts and engines US\$</b>	<b>Moulds and repair services US\$</b>	<b>Total US\$</b>
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
<b>Reportable segment revenue</b>	<u>50,835,092</u>	<u>29,732,843</u>	<u>935,332</u>	<u>81,503,267</u>
<b>Reportable segment (loss)/profit (adjusted EBIT)</b>	<u>(1,358,890)</u>	<u>794,904</u>	<u>(45,454)</u>	<u>(609,440)</u>
<b>Reportable segment assets</b>	<u>19,856,482</u>	<u>41,936,122</u>	<u>1,568,576</u>	<u>63,361,180</u>
<b>Reportable segment liabilities</b>	<u>27,156,798</u>	<u>15,240,166</u>	<u>288,728</u>	<u>42,685,692</u>
	<b>Six months ended 30 June 2015</b>			
	<b>Manufacture and sale of motorbikes US\$</b>	<b>Manufacture and sale of spare parts and engines US\$</b>	<b>Moulds and repair services US\$</b>	<b>Total US\$</b>
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
<b>Reportable segment revenue</b>	<u>57,256,199</u>	<u>34,933,132</u>	<u>537,040</u>	<u>92,726,371</u>
<b>Reportable segment loss (adjusted EBIT)</b>	<u>(3,598,285)</u>	<u>(718,899)</u>	<u>(9,273)</u>	<u>(4,326,457)</u>
<b>Reportable segment assets</b>	<u>50,831,952</u>	<u>29,042,263</u>	<u>2,511,722</u>	<u>82,385,937</u>
<b>Reportable segment liabilities</b>	<u>9,436,814</u>	<u>6,420,141</u>	<u>91,563</u>	<u>15,948,518</u>

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**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>US\$</i>	<i>US\$</i>
Reportable segment loss	(609,440)	(4,326,457)
Elimination of inter-segment profits	<u>-</u>	<u>-</u>
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	<u>(764,824)</u>	<u>(1,002,550)</u>
 Consolidated loss before taxation	<u><u>(486,831)</u></u>	<u><u>(3,713,225)</u></u>

**4. LOSS BEFORE TAXATION**

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>US\$</i>	<i>US\$</i>
<b>(a) Net finance income</b>		
Interest income from banks	<u>1,905,899</u>	<u>2,758,456</u>
Finance income	1,905,899	2,758,456
Interest paid and payable to banks	(304,351)	(594,259)
Net foreign exchange loss	<u>(756,818)</u>	<u>(582,937)</u>
Finance costs	<u>(1,061,169)</u>	<u>(1,177,196)</u>
	<u><u>844,730</u></u>	<u><u>1,581,260</u></u>
<b>(b) Staff costs</b>		
Salaries and wage	3,914,652	4,147,582
Staff welfare	1,222,159	747,687
Contributions to defined contribution retirement plans	<u>473,207</u>	<u>479,834</u>
	<u><u>5,610,018</u></u>	<u><u>5,375,103</u></u>
<b>(c) Other items</b>		
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 inventory	197,230	200,056
Research and development expenses	<u>2,130,333</u>	<u>2,476,500</u>

## 5. INCOME TAX

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

## 6. 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.

## 7. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	<b>At 30 June 2016 US\$</b>	<b>At 31 December 2015 US\$</b>
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)	<u>958,646</u>	<u>497,580</u>
	<u>35,349,657</u>	<u>29,341,932</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 allowance for doubtful debts, is as follows:

	<b>At 30 June 2016 US\$</b>	<b>At 31 December 2015 US\$</b>
Within 3 months	10,305,114	8,249,306
More than 3 months but within 1 year	39,266	-
More than 1 year	<u>1,941</u>	<u>-</u>
	<u>10,346,321</u>	<u>8,249,306</u>

## 8. TRADE AND OTHER PAYABLES

	<b>At 30 June 2016 US\$</b>	<b>At 31 December 2015 US\$</b>
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)	<u>2,935,033</u>	<u>2,101,114</u>
	<u>18,848,240</u>	<u>15,355,074</u>

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

	<b>At 30 June 2016 US\$</b>	<b>At 31 December 2015 US\$</b>
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	<u>1,506</u>	<u>8,809</u>
	<u>11,539,949</u>	<u>8,217,647</u>

## 9. DIVIDENDS

No dividends have been paid or declared by the Company during each of the six months ended 30 June 2016 and 2015.

## **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 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, 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, 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 announcement, 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 IPO 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	<u>2.7</u>	<u>2.7</u>	<u>-</u>
Total	<u>76.7</u>	<u>22.0</u>	<u>54.7</u>

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.

## **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 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 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 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 announcement, the Company has maintained the prescribed public float of no less than 25% under the Listing Rules.

### **EVENT AFTER THE REPORT DATE**

Save disclosed in this announcement, there were no other material events after the reporting period as at the date of this announcement.

### **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.

### **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company's website at [www.vmeph.com](http://www.vmeph.com). The 2016 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 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

*As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Liu Wu Hsiung, Mr. Lu Tien Fu, Mr. Lin Chun Yu and Mr. Chou Ken Yuan, two non-executive Directors, namely Mr. Chiu Ying Feng and Ms. Wu Li Chu and three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei.*