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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 2022**

Financial Highlights :

	(Expressed in US\$'million)		
	Six months ended 30 June		
	2022	2021	Change Amount
• Revenue	62.2	60.0	2.2
• Gross profit	5.7	5.4	0.3
• Net profit/(loss) after tax	0.3	(1.2)	1.5
• Earnings/(loss) per share (US\$)	0.0004	(0.0013)	0.0017

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 2022 together with the comparative figures for the corresponding period in 2021.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the six months ended 30 June 2022 – unaudited
(Expressed in United States dollars)*

		Six months ended 30 June	
	Note	2022	2021
		US\$	US\$
Revenue	3	62,204,787	59,955,149
Cost of sales		<u>(56,514,409)</u>	<u>(54,536,040)</u>
Gross profit		5,690,378	5,419,109
Other income		733,247	196,342
Distribution costs		(2,957,170)	(3,316,607)
Technology transfer fees		(361,587)	(468,634)
Administrative and other operating expenses		<u>(3,208,970)</u>	<u>(3,539,583)</u>
Results from operation	(104,102)(1,709,373)
Finance income		1,426,288	1,225,711
Finance costs		<u>(895,813)</u>	<u>(441,851)</u>
Net finance income	4(a)530,475783,860
Impairment loss on other property, plant and equipment	4(c)	(134,352)	(282,986)
Impairment loss on prepayments for other property, plant and equipment	4(c)	(7,078)	(35,564)
Share of profit of an associate		<u>65,255</u>	<u>39,412</u>
		<u>(76,175)</u>	<u>(279,138)</u>
Profit/(loss) before taxation	4	350,198	(1,204,651)
Income tax (expense)/credit	5	<u>(3,969)</u>	<u>12,580</u>
Profit/(loss) for the period		<u><u>346,229</u></u>	<u><u>(1,192,071)</u></u>

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

*For the six months ended 30 June 2022 – unaudited
(Expressed in United States dollars)*

	Note	Six months ended 30 June	
		2022	2021
		<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		(815,586)	236,154
Total comprehensive income for the period		(469,357)	(955,917)
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		346,231	(1,192,069)
Non-controlling interests		(2)	(2)
		346,229	(1,192,071)
Total comprehensive income attributable to:			
Equity shareholders of the Company		(469,355)	(955,915)
Non-controlling interests		(2)	(2)
		(469,357)	(955,917)
Earnings/(loss) per share			
- Basic and diluted	6	0.0004	(0.0013)

Consolidated Statement of Financial Position

At 30 June 2022 – unaudited

(Expressed in United States dollars)

	Note	At 30 June 2022 US\$	At 31 December 2021 US\$
Non-current assets			
Investment properties		4,139,137	4,192,630
Other property, plant and equipment	8	4,131,676	2,919,138
Interest in an associate		673,757	615,055
Deferred tax assets		<u>86,806</u>	<u>93,203</u>
		<u>9,031,376</u>	<u>7,820,026</u>
Current assets			
Inventories		24,740,083	29,492,257
Trade receivables, other receivables and prepayments	9	31,565,973	25,778,262
Current tax recoverable		939	32,340
Cash and bank balances		<u>58,061,897</u>	<u>50,584,588</u>
		<u>114,368,892</u>	<u>105,887,447</u>
Current liabilities			
Trade and other payables	10	26,706,914	23,288,897
Bank loans		41,219,993	36,052,299
Lease liabilities		50,489	9,302
Current tax payable		-	7,171
Provisions		<u>989,476</u>	<u>1,058,435</u>
		<u>68,966,872</u>	<u>60,416,104</u>
Net current assets		<u>45,402,020</u>	<u>45,471,343</u>
Total assets less current liabilities		54,433,396	53,291,369
Non-current liabilities			
Lease liabilities		<u>2,311,033</u>	<u>699,649</u>
NET ASSETS		<u>52,122,363</u>	<u>52,591,720</u>

Consolidated Statement of Financial Position *(continued)*

At 30 June 2022 – unaudited

(Expressed in United States dollars)

	At 30 June 2022 US\$	At 31 December 2021 US\$
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	<u>50,955,183</u>	<u>51,424,538</u>
Total equity attributable to equity shareholders of the Company	52,118,055	52,587,410
Non-controlling interests	<u>4,308</u>	<u>4,310</u>
TOTAL EQUITY	<u><u>52,122,363</u></u>	<u><u>52,591,720</u></u>

NOTES TO THE INTERIM FINANCIAL STATEMENT

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 2022, 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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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	
	2022	2021
	<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	55,732,411	53,943,313
- Manufacture and sale of spare parts and engines	6,459,240	5,943,676
- Moulds and repair services	<u>13,136</u>	<u>68,160</u>
	<u><u>62,204,787</u></u>	<u><u>59,955,149</u></u>
Disaggregated by geographical location of customers		
- Vietnam (place of domicile)	17,281,811	16,902,821
- Thailand	24,226,319	22,591,753
- Malaysia	15,567,489	16,345,310
- Greece	2,446,854	1,343,044
- The Philippines	1,273,484	1,534,863
- Taiwan	56,850	67,048
- Other countries	<u>1,351,980</u>	<u>1,170,310</u>
	<u><u>62,204,787</u></u>	<u><u>59,955,149</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 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>(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><u>350,198</u></u>

	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><u>(1,204,651)</u></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/(LOSS) BEFORE TAXATION**

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

(a) **Net finance income**

	Six months ended 30 June	
	2022	2021
	<i>US\$</i>	<i>US\$</i>
Interest income from banks	(1,015,370)	(954,293)
Net foreign exchange gain	<u>(410,918)</u>	<u>(271,418)</u>
Finance income	<u><u>(1,426,288)</u></u>	<u><u>(1,225,711)</u></u>
Interest paid and payable to banks	475,729	416,604
Interest on lease liabilities	<u>420,084</u>	<u>25,247</u>
Finance costs	<u><u>895,813</u></u>	<u><u>441,851</u></u>
	<u><u>(530,475)</u></u>	<u><u>(783,860)</u></u>

(b) **Staff costs**

	Six months ended 30 June	
	2022	2021
	<i>US\$</i>	<i>US\$</i>
Salaries, wages and other benefits	4,699,970	5,242,101
Contributions to defined contribution retirement plans	536,116	602,743
Severance pay allowance	<u>-</u>	<u>48,654</u>
	<u><u>5,236,086</u></u>	<u><u>5,893,498</u></u>

(c) **Other items**

	Six months ended 30 June	
	2022	2021
	<i>US\$</i>	<i>US\$</i>
Depreciation of investment properties and other property, plant and equipment	328,251	90,942
Gain on disposal of other property, plant and equipment	(129,744)	(52,013)
Write-down of inventories	26,690	343,322
Research and development expenses	630,994	813,607
Impairment loss on other property, plant and equipment [#]	134,352	282,986
Impairment loss on prepayments for other property, plant and equipment [#]	<u>7,078</u>	<u>35,564</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\$141,430 (six months ended 30 June 2021: US\$318,550) 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. During the period, management identified certain land and buildings included in the CGU which carrying values are likely to be recovered through a sales transaction. The recoverable amounts of these land and buildings are measured based on their fair value less costs of disposal. This valuation model considers recent sales prices of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group’s land and buildings compared to the recent sales. Higher premium for higher quality land and buildings will result a higher fair value measurement. The fair value on which recoverable amount is based is categorised as a Level 3 measurement under the three-level fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. Key unobservable inputs include the premium on quality of the land and buildings of 3% (six months ended 30 June 2021: 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 13% (six months ended 30 June 2021: 15%).

5. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2022	2021
	US\$	US\$
Current tax		
Provision for the period	3,969	-
Over-provision in respect of prior periods	-	(12,580)
	<u>3,969</u>	<u>(12,580)</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 2022 and 2021.

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. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of US\$346,231 (six months ended 30 June 2021: loss attribute to equity shareholders of the Company of US\$1,192,069) and the weighted average of 907,680,000 ordinary shares (2021: 907,680,000 ordinary shares) in issue during the interim period. The amount of basic earnings per share is US\$0.0004 (six months ended 30 June 2021: basic loss per share US\$0.0013) for the six months ended 30 June 2022.

(b) Diluted earnings/(loss) per share

The amount of diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for the six months ended 30 June 2022 and 2021 as there were no potential dilutive ordinary shares in existence during the six months ended 30 June 2022 and 2021.

7. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

8. OTHER PROPERTY, PLANT AND EQUIPMENT

(a) During the six months ended 30 June 2022, the Group recognised items of other property, plant and equipment with a cost of US\$1,678,387 (six months ended 30 June 2021: US\$284,564).

(b) Impairment losses

During the six months period ended 30 June 2022, an impairment loss of US\$134,352 (six months ended 30 June 2021: US\$282,986) 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 2022	At 31 December 2021
	<i>US\$</i>	<i>US\$</i>
Trade receivables	16,214,168	10,543,474
Non-trade receivables	14,749,576	14,491,519
Prepayments	564,583	160,080
Amounts due from related parties		
- Trade	37,646	527,928
- Non-trade	-	55,261
	<u>31,565,973</u>	<u>25,778,262</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 2022	At 31 December 2021
	<i>US\$</i>	<i>US\$</i>
Within 3 months	16,251,752	10,539,789
More than 3 months but within 1 year	62	530,802
More than 1 year	-	811
	<u>16,251,814</u>	<u>11,071,402</u>

10. TRADE AND OTHER PAYABLES

	At 30 June 2022	At 31 December 2021
	<i>US\$</i>	<i>US\$</i>
Trade payables	5,007,729	4,711,066
Other payables and accrued operating expenses	4,890,779	5,091,241
Contract liabilities – billings in advance of performance	3,697,179	1,280,985
Amounts due to related parties		
- Trade	12,752,506	11,961,731
- Non-trade	358,721	243,874
	<u>26,706,914</u>	<u>23,288,897</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 2022	At 31 December 2021
	<i>US\$</i>	<i>US\$</i>
Within 3 months	17,748,343	16,647,442
More than 3 months but within 1 year	7,803	24,739
More than 1 year but within 5 years	4,089	616
	<u>17,760,235</u>	<u>16,672,797</u>

11. COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report

	At 30 June 2022	At 31 December 2021
	<i>US\$</i>	<i>US\$</i>
Contracted for	<u>1,219,599</u>	<u>1,265,084</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 2022, economic activities gradually recovered as Vietnam and ASEAN countries adapted to the impacts of the coronavirus pandemic (the “**Pandemic**”) and began to live in a “new normal”. However many economies faced rising inflationary pressure and freight logistics shortages which led to a surge in costs, adding extra risks to the economic recovery.

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 2022 was 1,409,004 motorbikes, representing an increase of 2.94% compared to the corresponding period of 2021. 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 and pursue sustainable development 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 2022, the Group sold about 18,600 units of motorbikes (including about 2,700 units of scooters and 15,900 units of cubs) in Vietnam, representing a decrease of 6% as compared with the same period last year. The Group sold an aggregate of approximately 31,300 units of scooters and cubs by exporting to ASEAN countries, representing an increase of 5% from the same period last year. Under the policy of coexistence with the Pandemic generally adopted by Vietnam and ASEAN countries, Vietnam and major overseas markets and demand have gradually recovered. However, since the end of March 2022, production of some suppliers in China have been shut down due to the impact of the rebound of the Pandemic, and therefore not able to supply and deliver of their products to the Group completely, resulting in delayed product delivery for some customers. Since May 2022, the Group has been working with some supply chain companies to restore production capacity and shorten the waiting period for domestic and foreign pre-ordered customers, but this has still had an impact on sales in the first half of 2022.

In the first half of 2022, in the post-Pandemic era, the Group is committed to quickly coordinating with various suppliers and flexibly deploying production orders to effectively cope with the challenges of unstable supply chains, demonstrating the Group's excellent leadership in coping with challenges and striving for steady operations.

FINANCIAL REVIEW

The Group's revenue increased by 3.7% from US\$60.0 million for the six months ended 30 June 2021 to US\$62.2 million for the six months ended 30 June 2022. The Group recorded a net profit of US\$0.3 million for the six months ended 30 June 2022, which was an improvement by US\$1.5 million, as compared to the 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 2022 was US\$62.2 million, representing an increase of US\$2.2 million or 3.7% as compared with US\$60.0 million for the six months ended 30 June 2021. Due to the instability of the supply chain across the industry, the production schedule was severely disrupted, resulting in

delays in the delivery of customer orders, slowing down sales activities and affecting some revenue growth. In the first half of 2022, considering the sharp rise in raw material prices and production costs, the Group took the initiative to increase the prices of export products. However, the Group was still trying to handle the orders before the price adjustment, and effect of these upward adjustments has not yet been fully reflected in revenue for the first half of 2022. For domestic sales, price adjustment strategies were not implemented in response to competition from the industry and the slow acceptance of price adjustments in the Vietnamese market, which in turn affected further revenue growth.

The principal scooter models include ATTLA-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 3.7%, from US\$54.5 million for the six months ended 30 June 2021 to US\$56.5 million for the six months ended 30 June 2022. The majority of the Group's cost of sales comprised of raw material cost and direct labour costs. Cost of sales increased as a result of higher raw material costs and direct labour costs. The Group has taken various measures to improve production efficiency and reduce a wide range of costs in order to alleviate these cost pressures.

As a percentage of total revenue, the Group's cost of sales decreased from 91.0% for the six months ended 30 June 2021 to 90.9% for the six months ended 30 June 2022. 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 2022, the Group recorded a gross profit and gross profit margin of approximately US\$5.7 million and 9.1% respectively (six months ended 30 June 2021: gross profit and gross profit margin of approximately US\$5.4 million and 9.0% respectively). In the domestic market, the Group's main strategy was to consolidate its existing market share, while in the export market, it gradually implemented price adjustment strategies to optimise its product sales structure, resulting in improved profitability. However, the increase in the selling prices of some products could not fully reflect the increase in costs.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 9.1%, from US\$3.3 million for the six months ended 30 June 2021 to US\$3.0 million for the six months ended 30 June 2022. The decrease was mainly contributed to the Group's efforts in reducing packaging costs, including the optimization of product packaging solutions for exported products and the switching from third-party packaging service provider to hiring own employees to perform the packaging work to save costs. However, the decrease in distribution expenses was partially offset by an increase in logistics related expenses in the first half of 2022.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative and other operating expenses decreased by 8.6%, from US\$3.5 million for the six months ended 30 June 2021 to US\$3.2 million for the six months ended 30 June 2022. The administrative and other operating expenses accounted for 5.2% of the Group's total revenue for the six months ended 30 June 2022. 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\$1.6 million, from a loss of US\$1.7 million for the six months ended 30 June 2021 to a loss of US\$0.1 million for the six months ended 30 June 2022.

NET FINANCE INCOME

The Group's net finance income decreased by 37.5%, from US\$0.8 million for the six months ended 30 June 2021 to US\$0.5 million for the six months ended 30 June 2022. Such decrease was mainly attributable to (1) an increase in bank interest income by US\$0.06 million, (2) an increase in foreign exchange incomes of US\$0.1 million arising from fluctuation of the Vietnamese Dong against the US dollar, (3) an increase in bank interest expense by US\$0.06 million and (4) an increase in interest on lease liabilities by US\$0.4 million.

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 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") 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\$0.1 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 2022.

PROFIT/LOSS FOR THE PERIOD AND MARGIN

As a result of the factors discussed above, the Group recorded a net profit of US\$0.3 million for the six months ended 30 June 2022, which was an improvement by US\$1.5 million, as compared to the net loss of US\$1.2 million for the six months ended 30 June 2021. The Group's net profit margin improved from a negative 2.0% for the six months ended 30 June 2021 to a positive 0.6% for the six months ended 30 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's net current assets amounted to US\$45.4 million (31 December 2021: US\$45.5 million) which consisted of current assets amounting to US\$114.4 million (31 December 2021: US\$105.9 million) and current liabilities amounting to US\$69.0 million (31 December 2021: US\$60.4 million).

As at 30 June 2022, the Group had bank loans repayable within one year of US\$41.2 million (31 December 2021: US\$36.1 million). As at 30 June 2022, the Group had no interest-bearing bank loans repayable beyond one year (31 December 2021: Nil). As at 30 June 2022, the gearing ratio was 79.1% (31 December 2021: 68.6%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2022, the cash and bank balances (including bank deposits) amounted to US\$58.1 million, including US\$51.3 million denominated in Vietnamese Dong, US\$3.4 million denominated in US dollar and US\$3.4 million denominated in New Taiwan dollar (31 December 2021: US\$50.6 million, which included US\$44.0 million denominated in Vietnamese Dong, US\$6.3 million denominated in US dollar and US\$0.3 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 2022.

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 2022, the Group had 1,127 employees (30 June 2021: 1,188). The total amount of salaries and related costs for the employees for the six months ended 30 June 2022 amounted to approximately US\$5.2 million (six months ended 30 June 2021: US\$5.9 million).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2022, the Group had no material acquisition or disposal of subsidiaries and associated companies.

CHANGES SINCE 31 DECEMBER 2021

Save as disclosed in this announcement, since 31 December 2021, 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 2021.

PROSPECTS

Looking forward, the Group expects the momentum of growth will continue throughout the second half of 2022 based on the Group's sales order status of mass production projects. However, fluctuating raw material prices, rising logistics costs and instability in the supply chain will create a series of uncertainties for the Group's manufacturing and sales operations. The Group's production and supply chain teams will continue to closely monitor the conditions that may affect delivery, providing strategic control and visibility for the Group to address dynamic situations.

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 2022, 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. For export sales, the Group has accelerated the upgrading of the engine power of our hot-selling DRONE and LAMBRETTA models 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 2022:

	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 2022 Approximately in US\$’ million	Balance unutilised as at 30 June 2022 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	11.4	3.6
Land development	19.3	4.2	15.1
Total	<u>76.7</u>	<u>58.0</u>	<u>18.7</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 2022, 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:

Pursuant to Rule 3.27A of the Listing Rules (previously paragraph A.5.1 of the code provision of the Code, which has been renumbered as Rule 3.27A of the Listing Rules with effect from 1 January 2022) and paragraph B.3.1 of the code provision of the Code provide that an issuer should establish a nomination committee with specific written terms of reference for 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 recommendation to the Board on the appointment or reappointment of directors and succession planning for directors. The Company had not set up a nomination committee as all major decisions regarding the Board composition and its members were made in consultation with the Board in which all directors of the Company would participate in the process and perform the duties of a nomination committee

as contemplated in the Code. The Board considered that it was not necessary to establish a nomination committee given that the current arrangements meet the objective of the Code.

In view of the relevant Listing Rules and the Code Amendments effective from 1 January 2022, the Company has set up a nomination committee with its terms of reference with effect from 19 January 2022 and since then, the relevant deviation has been remediated.

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 2022.

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, for the six months ended 30 June 2022 and up to the date of this announcement, the Company has maintained the public float required by the Listing Rules.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

For the six months ended 30 June 2022 and up to the date of this announcement, the Group had no significant events after the reporting period.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 June 2022 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 2022 (2021: 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 2022 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, 10 August 2022

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.