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 2013

Financial Highlights :	**(expressed in US$'million)**		
	Six months ended 30 June		
	2013	**2012**	**change**
• Total revenue	88.9	93.7	-5%
• Gross profit	7.3	9.1	-20%
• Net Loss after tax	(4.3)	(0.5)	-739%
• Earnings per share *(US$)*	(0.005)	(0.001)	-739%

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013- unaudited

	Note	Six months ended 30 June 2013 US$	2012 US$
Revenue	3	88,905,685	93,712,790
Cost of sales		(81,622,594)	(84,601,798)
Gross profit		7,283,091	9,110,992
Other income		155,472	167,127
Distribution costs		(6,751,781)	(6,595,850)
Technology transfer fees		(1,861,895)	(2,019,243)
Administrative expenses		(6,164,933)	(5,586,911)
Other operating expenses		(60,652)	(41,566)
Results from operating activities		(7,400,698)	(4,965,451)
Finance income		4,055,100	4,251,581
Finance costs		(579,693)	(7,891)
Net finance income	4(a)	3,475,407	4,243,690
Share of profit of an associate, net of tax		44,647	26,803
Loss before taxation	4	(3,880,644)	(694,958)
Income tax (expense) /credit	5	(442,933)	179,728
Loss for the period		(4,323,577)	(515,230)
Other comprehensive income for the period (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(2,042,332)	558,423
Total comprehensive income for the period attributable to equity shareholders of the Company		(6,365,909)	43,193
Earnings per share			
- basic and diluted	6	(0.005)	(0.001)

Consolidated Statement of Financial Position

At 30 June 2013-unaudited

	Note	At 30 June 2013 US$	At 31 December 2012 US$
Non-current assets			
Property, plant and equipment	7	27,058,186	29,395,797
Intangible assets		398,328	239,934
Lease prepayments		6,105,557	6,393,964
Investment in an associate		710,024	677,338
Deferred tax assets		1,003,065	734,143
		35,275,160	37,441,176
Current assets			
Inventories		29,239,061	31,943,920
Trade receivables, other receivables and prepayments	8	22,040,748	16,359,364
Income tax recoverable		14,399	11,082
Investments		3,000,000	3,000,000
Derivatives		111,554	95,496
Pledged bank deposits		6,098,821	-
Time deposits maturing after three months		86,110,120	65,425,866
Cash and cash equivalents		21,038,195	54,885,605
		167,652,898	171,721,333
Total assets		202,928,058	209,162,509
Current liabilities			
Trade and other payables	9	22,160,467	34,828,939
Interest-bearing borrowings		13,522,875	-
Income tax payable		17,518	625,716
Provisions		1,690,811	1,785,268
		37,391,671	37,239,923
Net current assets		130,261,227	134,481,410
Total assets less current liabilities		165,536,387	171,922,586
Non-current liabilities			
Other payables		-	20,290
		-	20,290
Net assets		165,536,387	171,902,296
Equity			
Share capital		1,162,872	1,162,872
Reserves		164,373,515	170,739,424
Total equity attributable to equity shareholders of the Company		165,536,387	171,902,296
Total liabilities and equity		202,928,058	209,162,509

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT:

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 5 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these 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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 4 March 2013.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- IAS 28, *Investments in associates and joint ventures* (2011)
- *Annual improvements to IFRSs – 2009 - 2011 Cycle*
- Amendments to IFRS 7*, Financial instruments: Disclosures – Disclosures - Offsetting financial assets and financial liabilities*

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

Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The adoption of this amendment has no impact on the recognised assets, liabilities and comprehensive income of the Group.

IFRS 10, *Consolidated financial statements*
IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.
As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, *Disclosure of interests in other entities*
IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

IFRS 13, *Fair value measurement*
IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

IAS 28, *Investments in associates and joint ventures* (2011)
IAS 28 (2011) expanded guidance on how to apply IFRS 5, *Non-current assets held for sale and discontinued operations*, to an investment or a portion of an investment in an associate or a joint venture. IAS 28 (2011) also modifies the accounting required when there are changes in interest which result in a change in the nature of the investment but equity method continues to be applied. The adoption of this standard does not have any material impact on the financial position or the financial result of the Group.

Annual improvements to IFRSs – 2009 - 2011 Cycle
This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there

has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group now discloses segment assets and liabilities in note 3.

Amendments to IFRS 7*, Financial instruments: Disclosures – Disclosures - Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into any master netting arrangement or similar agreement which is subject to the amended disclosure requirements of IFRS 7.

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

	Six months ended 30 June 2013			
	Manufacture and sales of motorbikes	**Manufacture and sales of spare parts and engines**	**Moulds and repair services**	**Group Total**
	US$	*US$*	*US$*	*US$*
Revenue from external customers	75,056,145	13,747,730	101,810	88,905,685
Inter-segment revenue	-	26,026,231	563,732	26,589,963
Reportable segment revenue	75,056,145	39,773,961	665,542	115,495,648
Reportable segment loss (adjusted EBIT)	(3,970,526)	(2,463,484)	(2,251)	(6,436,261)
Reportable segment assets	48,634,021	32,304,720	1,394,592	82,333,333
Reportable segment liabilities	16,575,660	8,677,139	270,324	25,523,123

	Six months ended 30 June 2012			
	Manufacture and sales of motorbikes	**Manufacture and sales of spare parts and engines**	**Moulds and repair services**	**Group Total**
	US$	*US$*	*US$*	*US$*
Revenue from external customers	78,787,625	14,833,836	91,329	93,712,790
Inter-segment revenue	-	27,597,258	425,280	28,022,538
Reportable segment revenue	78,787,625	42,431,094	516,609	121,735,328
Reportable segment loss (adjusted EBIT)	(2,158,875)	(1,768,777)	(62,973)	(3,990,625)
Reportable segment assets	52,336,083	34,293,073	895,708	87,524,864
Reportable segment liabilities	18,430,071	9,492,587	117,658	28,040,316

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

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2013	**2012**
	US$	*US$*
Reportable segment loss derived from Group's external customers	(6,436,261)	(3,990,625)
Net finance income	3,475,407	4,243,690
Share of profit of an associate	44,647	26,803
Unallocated corporate expenses	(964,437)	(974,826)
Consolidated loss before taxation	(3,880,644)	(694,958)

4. Loss before taxation

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

(a) Net finance income

Interest income from banks	4,055,100	3,804,420
Net foreign exchange gains	-	447,161
Finance income	4,055,100	4,251,581
Interest paid and payable to banks	(206,073)	(7,891)
Net foreign exchange losses	(373,620)	-
Finance costs	(579,693)	(7,891)
	3,475,407	4,243,690

(b) Staff costs

Wages and salaries	4,550,740	4,221,210
Staff welfare	983,720	1,236,474
Contributions to defined contribution plan	545,675	428,292
Severance allowance	808	9,219
	6,080,943	5,895,195

(c) Other items

Amortisation of lease prepayments / intangible assets	278,799	219,105
Depreciation of property, plant and equipment	3,312,657	3,854,922
Inventory write-down	300,000	68,337
Research and development expenses	1,940,559	3,592,582

5. Income tax

Current tax		
Provision for the period	19,772	7,334
Under provision in respect of prior periods	707,879	336,484
	727,651	343,818

	Six months ended 30 June	
	2013	**2012**
	US$	*US$*
Deferred tax		
Origination and reversal of temporary differences	(284,718)	(523,546)
	442,933	(179,728)

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 2013.

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"), a wholly-owned subsidiary of the Company, 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%. The applicable tax rate for the other entities in Vietnam is 25%.

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% of the taxable profit if total taxable profit is above New Taiwan Dollar ("NT$") 120,000. Income tax is exempted if the taxable profit is below NT$120,000.

In accordance with the Income Tax Law of Indonesia, the applicable tax rate for PT Sanyang Industri Indonesia is 25%.

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of US$4,323,577 (six months ended 30 June 2012: US$515,230) and 907,680,000 ordinary shares (six months ended 30 June 2012: 907,680,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2013 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

7. PROPERTY, PLANT AND EQUIPMENT

The additions, disposals and the effect of movements in exchange rate of the items of property, plant and equipment are as follows:

Additions	1,519,533	915,054
Disposals (net carrying amount)	(65,312)	(36,928)
Effect of movements in exchange rate	(479,175)	222,827

8. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2013	At 31 December 2012
	US$	*US$*
Trade receivables	6,226,263	4,864,000
Non-trade receivables	12,248,677	7,925,125
Prepayments	3,171,258	2,928,183
Amounts due from related parties		
- trade	394,550	523,848
- non-trade	-	118,208
	22,040,748	16,359,364

The Group's exposure to credit risk is attributable to trade receivables from overseas customers, as the Group generally offers no credit terms to domestic customers in Vietnam, which accounted for approximately 23% (six months ended 30 June 2012: 68%) of total customers for the six-month period ended 30 June 2013. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

An aging analysis of the trade receivables of the Group including trade receivables due from related parties is as follows:

Within three months	6,610,775	5,331,427
More than three months but within one year	10,038	56,421
	6,620,813	5,387,848

Non-trade receivables mainly represented VAT recoverable of US$6,536,313 (2012: US$4,567,404) and interest receivables of US$3,331,541 (2012: US$2,009,593).

9. TRADE AND OTHER PAYABLES

Trade payables	8,387,906	10,438,907
Other payables and accrued operating expenses	7,475,317	9,106,037
Advances from customers	688,663	2,149,084
Amounts due to related parties		
- trade	3,596,797	10,578,705
- non-trade	2,011,784	2,556,206
	22,160,467	34,828,939

An aging analysis of trade payables of the Group including trade payables due to related parties is as follows:

Within three months	11,780,766	20,810,216
More than three months but within one year	203,937	19,558
More than one year but within five years	-	187,838
	11,984,703	21,017,612

MANAGEMENT DISCUSSION & 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 360,000 motorbikes. Offering a wide range of models, the Group's motorbikes are sold under the SYM brand name. 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

Vietnam's government has contended at the beginning of this year that Vietnam's economy slowdown has hit bottom and the inflation appeared to be under control. It also predicted that the economy would be back to normal with a robust 6% growth after overcoming inflation and other financial obstacles over the past several years.

Vietnam's economy has shown signs of growth in the second quarter of 2013 after its central bank cut interest rates to revive lending to businesses and rising foreign investment boosted the nation's exports. In the first half of 2013, the gross domestic product (GDP) stood at 4.9%, disbursed foreign investment rose 5.6 % to US$5.7 billion and the consumer price index (CPI) increased by only 2.4%, the smallest increase in the last ten years. The exchange rate of Vietnamese Dong against US$ has slipped from 20,828 to 21,036 which has remained unchanged since the end of 2011.

Vietnam's consumption market has little improvement but still at a low level in the first half of 2013. However, its motorbike industry experienced keen competition starting from 2012 onwards, as foreign investment manufacturers in Vietnam have expanded their production capacities and launched more models and promotion activities.

BUSINESS REVIEW

In the first half of 2013, the motorbike market in Vietnam was highly competitive and challenging and the Group has strived to improve its operational efficiency and implemented cost control in order to minimise the negative impacts arising from the slowdown of consumer spending. During the six months ended 30 June 2013, the costs of materials, components, wages and salaries increased moderately. The Group continued to introduce electronic fuel injection technology feature to enhance the quality and upgrade scooter models such as ATTILA-ELIZABETH, SHARK and PASSING. Such technology offers advantages in fuel saving and environmental protection, but the addition of imported sophisticated components utilised in connection with such technology also added pressure to the overall cost.

For the six months ended 30 June 2013, an aggregate of approximately 43,100 units (which comprised of approximately 28,100 units and 15,000 units of scooters and cubs respectively) were sold by the Group in Vietnam, representing a decrease of 20% over the same period of previous year. In contrast, due to the increase in overseas markets demands, approximately 50,000 units were exported to ASEAN countries, representing an increase of 12% over the comparative periods, in particular, there has been a rapid growth in sales in the Philippines and Malaysian markets.

During the first half of 2013, the Group has also strengthened its distribution network with 287 SYM-authorised stores owned by dealers as at 30 June 2013, covering almost every province in Vietnam.

FINANCIAL REVIEW

Revenue decreased by 5% from US$93.7 million for the six months ended 30 June 2012 to US$88.9 million for the six months ended 30 June 2013, and the Group's recorded a net loss of US$4.3 million for the six months ended 30 June 2013 as compared to a loss of US$0.5 million for the six months ended 30 June 2012.

REVENUE

Revenue of the Group for the six months ended 30 June 2013 amounted to US$88.9 million as compared to US$93.7 million for the six months ended 30 June 2012, representing a slight decrease of US$4.8 million or 5%. This decrease was due to a low level of economy and domestic spending in Vietnam during the period. The Group's overall sales quantities and sales quantities of scooters in Vietnam decreased by 20% and 10% respectively for the six months ended 30 June 2013 as compared with the six months ended 30 June 2012. Sales of scooters continued to be the Group's major profit driver. The principal scooter models include ATTILA-VICTORIA, ELIZABETH, SHARK and PASSING , and cub models of ELEGANT and ANGEL+EZ. In terms of geographical contribution, approximately 63% of total sales were generated from the domestic market in Vietnam for the six months ended 30 June 2013.

COST OF SALES

The Group's cost of sales decreased by 4%, from US$84.6 million for the six months ended 30 June 2012 to US$81.6 million for the six months ended 30 June 2013. Such decrease was primarily due to a drop of sales volume and cost reduction arising from expanding procurement sources for materials and components which was partly offset by the increase of labour costs and rising import costs of advance technology components like electronic fuel injection engines. As a percentage of total revenue, the Group's cost of sales increased from 90% for the six months ended 30 June 2012 to 92% for the six months ended 30 June 2013.

GROSS PROFIT AND GROSS PROFIT MARGIN

Owing to the drop of sales and materials and components costs, and increase of labour costs as discussed above, the gross profit of the Group decreased by 20%, from US$9.1 million for the six months ended 30 June 2012 to US$7.3 million for the six months ended 30 June 2013. In between such comparative periods, the Group's gross profit margin has decreased from 10% to 8%.

DISTRIBUTION EXPENSES

The Group's distribution expenses slightly increased by 2%, from US$6.6 million for the six months ended 30 June 2012 to US$6.8 million for the six months ended 30 June 2013. Such increase was mainly attributed to an increase of sales incentives and supporting fees to distributors, advertising expenses for promotion and market expansion in a competitive market.

TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 8%, from US$2.0 million for the six months ended 30 June 2012 to US$1.9 million for the six months ended 30 June 2013, resulting from a decrease in the sales volume of SYM- branded motorbikes, in particular the sales of scooters.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 10%, from US$5.6 million for the six months ended 30 June 2012 to US$6.2 million for the six months ended 30 June 2013, accounting for 7% of the Group's total revenue for the six months ended 30 June 2013. This was principally due to the increase of staff salaries and research and development expenses.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities worsen by 49%, from a loss of US$5.0 million for the six months ended 30 June 2012 to US$7.4 million for the six months ended 30 June 2013.

NET FINANCE INCOME

The Group's net finance income decreased by 18%, from US$4.2 million for the six months ended 30 June 2012 to US$3.5 million for the six months ended 30 June 2013. Such decrease was mainly attributable to a net off of increase in interest income amounted to US$0.3 million but mostly offset by an increase of bank interest expenses of US$0.2 million. Foreign exchange gains arisen from fluctuation of the Vietnamese Dong against the US dollar for the six months ended 30 June 2012 amounted to US$0.4 million as compared to foreign exchange loss of US$0.4 million for the six months ended 30 June 2013.

LOSS FOR THE PERIOD AND MARGIN

As a result of the factors discussed above, the Group's net loss (after income tax under provision in respect of prior periods) for the six months ended 30 June 2013 amounted to US$4.3 million, as compared to a loss of US$0.5 million for the six months ended 30 June 2012. The Group's net loss margin worsen from negative 0.5% for the six months ended 30 June 2012 to negative 4.9% for the six months ended 30 June 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group's net current assets amounted to US$130.3 million (31 December 2012: US$134.5 million) which consisted of current assets amounting to US$167.7 million (31 December 2012: US$171.7 million) and current liabilities amounting to US$37.4 million (31 December 2012: US$37.2 million).

As at 30 June 2013, the Group had interest-bearing borrowings repayable within one year of US$13.5 million, including US$10.6 million denominated in Vietnamese Dong and US$2.9 million denominated in US$ (31 December 2012: US$Nil). As at 30 June 2013, the Group had no interest-bearing borrowings repayable beyond one year (31 December 2012: US$Nil). As at 30 June 2013, the gearing ratio was 8% (31 December 2012: 0%) calculated by dividing total interest-bearing borrowings by total equity.

As at 30 June 2013, the cash and bank balances (including bank deposits and pledged bank deposits) amounted to US$113.2 million, including US$67.6 million denominated in Vietnamese Dong, US$29.7 million denominated in US$, US$15.7 million denominated in RMB , US$0.2 million denominated in NTD, HK$ and IDR (31 December 2012: US$120.3 million, including US$68.2 million denominated in Vietnamese Dong, US$36.1 million denominated in US$, US$15.4 million denominated in RMB, US$0.6 million denominated in NTD, HK$ and IDR).

As at 30 June 2013, the Group had investments in financial instruments amounted to US$3.0 million (31 December 2012: US$3.0 million) which were 100% principal-protected US$ digital capital protected notes.

The Board is of the opinion that the Group has 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$. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2013, the capital commitments of the Group in respect of relocation and construction of a new factory in Hanoi amounted to US$16.7 million (31 December 2012: US$16.9 million*),* which will all be settled from cash generated from the Group's operations. The Group had no contingent liabilities as at 30 June 2013.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group offers competitive remuneration packages to its staff in Vietnam, Taiwan, Indonesia 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, share options, staff living quarters, training and development opportunities, medical benefits, insurance plan and retirement benefits. As at 30 June 2013, the Group had 1,956 employees (30 June 2012: 2,055). The total amount of salaries and related costs for the employees for the six months ended 30 June 2013 amounted to US$6.1 million (six months ended 30 June 2012: US$5.9 million).

CHANGES SINCE 31 DECEMBER 2012

Save as disclosed in this report, since 31 December 2012, 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 2012.

PROSPECTS

Vietnam's government targets GDP growth at 5.5 % for 2013 after a 5.03 % pace last year, the slowest in the past ten years. Vietnam may not have a strong growth in 2013 but its economy is stabilizing. There are some signs that growth may be bottoming out, but it is premature to conclude whether this is the beginning of a sustained recovery. Businesses and production still face a lot of difficulties because consumption in the market is still at low levels. However, the Group is still optimistic that Vietnam's economic development will grow steadily and the motorbike industry in Vietnam will resume its growth momentum in a mid and long term. As for the major ASEAN countries, the Group expects the motorbike markets will also continue to maintain fast growth, driven by positive economic conditions in the respective markets.

The Group will continue its best effort to enhance customer satisfaction and cost effectiveness, by implementing measures to strengthen cost control, expanding its suppliers network and procurement sources, boosting productivity and operation efficiency, enhancing research and development capabilities and speeding up market penetration through its retail network. In the second half of this year, the Group plans to launch several new and modified motorbike models in Vietnam to raise product price and profitability, these include scooter of ELIZABETH and other models with larger engine capacity, cub models of 110 cc and 50 cc and BIKE 125. The Group will continue to consolidate the existing scooter market, including reinforcing the leading position in the female ATTILA series, upgrading product quality of models for male customers and deploying new models targeted at the young generation to expand the sales volume and enhance profitability.

The Group will also further reinforce the uprising markets in ASEAN countries, mainly Malaysia, the Philippines, Thailand, Brunei and Singapore. The Group will be more actively engaged in marketing and promotional activities, and provide better after sales service supporting systems in these markets.

The Group maintains a positive attitude towards market growth in the second half of 2013 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. The Group will strive to 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 IPO of the Company in December 2007, net of related listing expenses, amounted to US$76.7 million. As at 30 June 2013, such net proceeds were utilized in the following manner:

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 30 June 2013 US$' million
Construction of research and development centre in Vietnam	15.0	11.7	3.3
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	1.9	44.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	22.0	54.7

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

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2013, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 objective 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") as set out 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, the Company confirms that the directors of the Company have complied with the required standard set out in the Model Code for the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2013, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

AUDIT COMMITTEE

The unaudited interim results for the six months ended 30 June 2013 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 2013. 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 and on the Company's website at www.vmeph.com. The 2013 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
Chou Ken Yuan
Chairman

Hong Kong, 5 August 2013

As at the date of this announcement, the directors (the "Directors") of the Company comprised four executive Directors, namely Mr. Chou Ken Yuan, Mr. Wang Ching Tung, Mr. Chen Chung Long and Mr. Yu Wen Lung, two non-executive Directors, namely Mr. Chiang Shih Huang and Mr. Chiu Ying Feng, and two independent non-executive Directors, namely Ms. Lin Ching Ching and Mr. Shen Hwa Rong.