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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 2017**

Financial Highlights :

(expressed in US\$'million)

Six months ended 30 June

	2017	2016	Change Amount
• Total revenue	45.9	61.1	(15.2)
• Gross profit	4.2	7.3	(3.1)
• Net loss after tax	(2.4)	(0.5)	(1.9)
• Loss per share (US\$)	(0.003)	(0.001)	(0.002)

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 2017 together with the comparative figures for the corresponding period in 2016.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017- unaudited

	Note	Six months ended 30 June	
		2017 US\$	2016 US\$
Revenue	3	45,884,241	61,141,792
Cost of sales		<u>(41,727,739)</u>	<u>(53,865,131)</u>
Gross profit		4,156,502	7,276,661
Other income		56,388	537,785
Distribution costs		(3,313,804)	(3,365,019)
Technology transfer fees		(1,056,239)	(1,472,117)
Administrative expenses		(3,873,066)	(4,294,765)
Other operating expenses		<u>(25,735)</u>	<u>(56,809)</u>
Results from operating activities		<u>(4,055,954)</u>	<u>(1,374,264)</u>
Finance income		1,972,876	1,905,899
Finance costs		<u>(384,442)</u>	<u>(1,061,169)</u>
Net finance income	4(a)	<u>1,588,434</u>	<u>844,730</u>
Share of profit of an associate, net of tax		<u>33,613</u>	<u>42,703</u>
Loss before taxation	4	(2,433,907)	(486,831)
Income tax	5	<u>4,242</u>	<u>(46,391)</u>
Loss for the period		(2,429,665)	(533,222)
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		<u>399,135</u>	<u>901,506</u>
Total comprehensive income for the period attributable to equity shareholders of the Company		<u>(2,030,530)</u>	<u>368,284</u>
Loss per share			
- Basic and diluted	6	<u>(0.003)</u>	<u>(0.001)</u>

Consolidated Statement of Financial Position

At 30 June 2017-*unaudited*

		At 30 June 2017 US\$	At 31 December 2016 US\$
	Note		
Non-current assets			
Property, plant and equipment		16,920,274	18,077,947
Intangible assets		20,844	37,037
Lease prepayments		4,789,746	4,864,995
Interest in an associate		532,352	498,764
Deferred tax assets		<u>936,285</u>	<u>936,285</u>
		<u>23,199,501</u>	<u>24,415,028</u>
Current assets			
Inventories		20,754,627	24,810,273
Trade receivables, other receivables and prepayments	7	21,900,136	24,535,220
Time deposits maturing after three months		95,355,489	93,040,713
Cash and cash equivalents		6,055,648	11,106,900
Current tax recoverable		<u>2,781</u>	<u>73,490</u>
		<u>144,068,681</u>	<u>153,566,596</u>
Current liabilities			
Trade and other payables	8	13,256,581	16,371,490
Bank loans		20,480,798	26,166,074
Current tax payable		-	13,905
Provisions		<u>964,463</u>	<u>835,432</u>
		<u>34,701,842</u>	<u>43,386,901</u>
Net current assets		<u>109,366,839</u>	<u>110,179,695</u>
Total assets less current liabilities		<u>132,566,340</u>	<u>134,594,723</u>
Non-current liability			
Deferred tax liabilities		<u>37,793</u>	<u>35,644</u>
Net assets		<u>132,528,547</u>	<u>134,559,079</u>
Capital and reserves			
Share capital		1,162,872	1,162,872
Reserves		<u>131,365,675</u>	<u>133,396,207</u>
Total equity		<u>132,528,547</u>	<u>134,559,079</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 2017, 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 2016 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 2017.

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. 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

	Six months ended 30 June 2017			
	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	36,155,192	9,691,132	37,917	45,884,241
Inter-segment revenue	-	14,412,595	294,412	14,707,007
Reportable segment revenue	36,155,192	24,103,727	332,329	60,591,248
Reportable segment loss (adjusted EBIT)	(2,719,550)	(629,092)	(24,345)	(3,372,987)
Reportable segment assets	37,425,343	24,244,610	989,651	62,659,604
Reportable segment liabilities	23,478,130	13,249,929	105,301	36,833,360

	Six months ended 30 June 2016			
	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	50,835,092	9,832,005	474,695	61,141,792
Inter-segment revenue	-	19,900,838	460,637	20,361,475
Reportable segment revenue	50,835,092	29,732,843	935,332	81,503,267
Reportable segment (loss)/profit (adjusted EBIT)	(1,358,890)	794,904	(45,454)	(609,440)
Reportable segment assets	19,856,482	41,936,122	1,568,576	63,361,180
Reportable segment liabilities	27,156,798	15,240,166	288,728	42,685,692

The measure used for reporting segment profit or loss is adjusted earnings or loss before interest and taxes (“**adjusted EBIT**”), 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

	Six months ended 30 June	
	2017	2016
	<i>US\$</i>	<i>US\$</i>
Reportable segment loss	(3,372,987)	(609,440)
Elimination of inter-segment profits	<u>-</u>	<u>-</u>
Reportable segment loss derived from Group's external customers	(3,372,987)	(609,440)
Net finance income	1,588,434	844,730
Share of profit of an associate	33,613	42,703
Unallocated corporate expenses	<u>(682,967)</u>	<u>(764,824)</u>
Consolidated loss before taxation	<u><u>(2,433,907)</u></u>	<u><u>(486,831)</u></u>

4. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	<i>US\$</i>	<i>US\$</i>
(a) Net finance income		
Interest income from banks	<u>(1,972,876)</u>	<u>(1,905,899)</u>
Finance income	<u>(1,972,876)</u>	<u>(1,905,899)</u>
Interest paid and payable to banks	246,367	304,351
Net foreign exchange loss	<u>138,075</u>	<u>756,818</u>
Finance costs	<u>384,442</u>	<u>1,061,169</u>
	<u><u>(1,588,434)</u></u>	<u><u>(844,730)</u></u>
(b) Staff costs		
Salaries and wage	4,347,948	3,914,652
Staff welfare	806,353	1,222,159
Contributions to defined contribution retirement plans	<u>532,943</u>	<u>473,207</u>
	<u><u>5,687,244</u></u>	<u><u>5,610,018</u></u>
(c) Other items		
Amortisation of lease		
Prepayments/intangible assets	155,382	106,137
Depreciation of property, plant and equipment	1,815,242	1,770,080
Write-down of inventories	343,870	197,230
Research and development expenses	<u>1,142,487</u>	<u>2,130,333</u>

5. INCOME TAX

	Six months ended 30 June	
	2017	2016
	<i>US\$</i>	<i>US\$</i>
Current tax		
Provision for the period	-	46,129
Over-provision in respect of prior periods	<u>(4,242)</u>	<u>(110)</u>
	(4,242)	46,019
Deferred tax		
Origination and reversal of temporary differences	<u>-</u>	<u>372</u>
	<u>(4,242)</u>	<u>46,391</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 2017.

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. 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\$2,429,665 (six months ended 30 June 2016: US\$533,222) and 907,680,000 ordinary shares (2016: 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 2017 and 2016 as there were no dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016.

7. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2017 US\$	At 31 December 2016 US\$
Trade receivables	12,518,675	11,848,607
Non-trade receivables	7,061,465	10,269,379
Prepayments	1,887,463	1,921,943
Amounts due from related parties		
Trade	417,170	432,704
Non-trade	<u>15,363</u>	<u>62,587</u>
	<u>21,900,136</u>	<u>24,535,220</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:

	At 30 June 2017 US\$	At 31 December 2016 US\$
Within 3 months	12,850,495	12,189,667
More than 3 months but within 1 year	85,350	91,644
More than 1 year	<u>-</u>	<u>-</u>
	<u>12,935,845</u>	<u>12,281,311</u>

8. TRADE AND OTHER PAYABLES

	At 30 June 2017 US\$	At 31 December 2016 US\$
Trade payables	5,548,438	7,166,993
Other payables and accrued operating expenses	4,335,355	5,308,447
Advances from customers	311,023	112,748
Amounts due to related parties		
Trade	1,501,186	1,748,157
Non-trade	<u>1,560,579</u>	<u>2,035,145</u>
	<u>13,256,581</u>	<u>16,371,490</u>

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

	At 30 June 2017 US\$	At 31 December 2016 US\$
Within 3 months	7,049,624	8,915,150
More than 3 months but within 1 year	-	-
More than 1 year	<u>-</u>	<u>-</u>
	<u>7,049,624</u>	<u>8,915,150</u>

9. DIVIDENDS

No dividends have been paid or declared by the Company during each of the six months ended 30 June 2017 and 2016.

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 6.17% in the first half of 2017, higher than that of 5.52% for the same period last year. The inflation rate was under control and the macroeconomic remained stable.

In the first half of 2017, according to the statistics of The Vietnam Association of Motorcycle Manufacturers, the five largest foreign direct investment manufacturers in Vietnam sold more than 1.52 million units of motorbikes in total, representing an increase of 5.6% 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

For the six months ended 30 June 2017, the Group sold about 23,200 units of motorbikes (including about 2,900 units of scooters and about 20,300 units of cubs) in Vietnam, representing a decrease of 12% as compared with the same period last year. It was mainly because the Group launched a new scooter model, namely Elite 50cc, in June 2017, the sales volume of which has not yet been reflected in the first half of 2017. Further, the Vietnamese government has amended the regulations, prohibiting students going to schools by motorbikes, which resulted in a decline in volume of sales to key consumers. The Group exported about 37,300 units of motorbikes to ASEAN countries, representing a decrease of 37% as compared with the same period last year. It was mainly due to the fact that the management of the Group became more conservative in the policy of customer credit control in order to strengthen its risk management, and as a result, the shipment volume was impacted. In view of challenges above, the Group strived to develop market and accelerate product research and development so as to curb the downward trend.

During the first half of 2017, 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 25% from US\$61.1 million for the six months ended 30 June 2016 to US\$45.9 million for the six months ended 30 June 2017. The Group's net loss for the six months ended 30 June 2017 increased by US\$1.9 million, from a net loss of US\$0.5 million for the six months ended 30 June 2016 to a net loss of US\$2.4 million for the six months ended 30 June 2017.

REVENUE

The Group's revenue for the six months ended 30 June 2017 was US\$45.9 million, representing a decrease of US\$15.2 million or 25% as compared with US\$61.1 million for the six months ended 30 June 2016, which was mainly due to the decline in the Group's sales volume in Vietnam and ASEAN countries.

The Group's overall sales volume of all motorbikes in Vietnam and ASEAN countries decreased by 12% and 37% over the comparative periods, respectively. The poor financial performance was attributed to a significant drop of sales volume in ASEAN countries which were the Group's major profit driver.

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

COST OF SALES

The Group's cost of sales decreased by 23%, from US\$53.9 million for the six months ended 30 June 2016 to US\$41.7 million for the six months ended 30 June 2017, resulting from the drop of total sales volume. As a percentage of total revenue, the Group's cost of sales increased from 88% for the six months ended 30 June 2016 to 91% for the six months ended 30 June 2017. The increase in cost rate was attributable to the decline in sales volume, which increased the percentage of costs to total revenue. Such increase was partly offset by the reduced purchase costs as the Group has strived to develop new sourcing channels.

GROSS PROFIT AND GROSS PROFIT MARGIN

Owing to the decline in sales of major profit sources as discussed above, the gross profit of the Group decreased by 42%, from US\$7.3 million for the six months ended 30 June 2016 to US\$4.2 million for the six months ended 30 June 2017. As compared with the comparative period, the Group's gross profit margin has decreased from 12% to 9%.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 3%, from US\$3.4 million for the six months ended 30 June 2016 to US\$3.3 million for the six months ended 30 June 2017. 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 27%, from US\$1.5 million for the six months ended 30 June 2016 to US\$1.1 million for the six months ended 30 June 2017, resulting from a decrease in the sales of SYM-branded motorbikes.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 9%, from US\$4.3 million for the six months ended 30 June 2016 to US\$3.9 million for the six months ended 30 June 2017. The expenses accounted for 8% of the Group's total revenue for the six months ended 30 June 2017. 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 worsened by US\$2.7 million, from a loss of US\$1.4 million for the six months ended 30 June 2016 to a loss of US\$4.1 million for the six months ended 30 June 2017.

NET FINANCE INCOME

The Group's net finance income increased by 100%, from US\$0.8 million for the six months ended 30 June 2016 to US\$1.6 million for the six months ended 30 June 2017. Such increase was mainly attributable to an increase in interest income by US\$0.07 million, a decrease of bank interest expenses by US\$0.06 million. Foreign exchange losses arisen from fluctuation of the Renminbi ("RMB") against the US dollar for the six months ended 30 June 2016 decreased from US\$0.8 million to US\$0.1 million for the six months ended 30 June 2017.

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 2017 increased by US\$1.9 million, from a loss of US\$0.5 million for the six months ended 30 June 2016 to a loss of US\$2.4 million for the six months ended 30 June 2017. The Group's net loss margin worsened from 0.9% for the six months ended 30 June 2016 to 5.2% for the six months ended 30 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's net current assets amounted to US\$109.4 million (31 December 2016: US\$110.2 million) which consisted of current assets amounting to US\$144.1 million (31 December 2016: US\$153.6 million) and current liabilities amounting to US\$34.7 million (31 December 2016: US\$43.4 million).

As at 30 June 2017, the Group had bank loans repayable within one year of US\$20.5 million, including US\$19.2 million denominated in US dollar and US\$1.3 million denominated in Vietnamese Dong (31 December 2016: US\$26.2 million, including US\$23.9 million denominated in US dollar and US\$2.3 million denominated in Vietnamese Dong). As at 30 June 2017, the Group had no bank loans repayable beyond one year (31 December 2016: Nil). As at 30 June 2017, the gearing ratio was 15% (31 December 2016: 19%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2017, the cash and bank balances (including bank deposits) amounted to US\$101.4 million, including US\$59.5 million denominated in Vietnamese Dong, US\$41.8 million denominated in US dollar and US\$0.1 million denominated in NT\$, RMB and HK\$ (31 December 2016: US\$104.1 million, which mainly included US\$62.2 million denominated in Vietnamese Dong, US\$40.9 million denominated in US dollar, US\$1.0 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 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 2017, the Group had 1,573 employees (30 June 2016: 1,670). The total amount of salaries and related costs for the employees for the six months ended 30 June 2017 amounted to US\$5.7 million (six months ended 30 June 2016: US\$5.6 million).

CHANGES SINCE 31 DECEMBER 2016

Save as disclosed in this announcement, since 31 December 2016, 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 2016.

PROSPECTS

During the first half of 2017, the Vietnamese economy grew steadily and experienced a mild inflation, while its business environment and the exchange rate of Vietnamese Dong against US dollar remained relatively stable. Under the environment where export and investment are on the rise, in the second half of 2017, the Vietnamese government will take active steps to adjust its monetary policy in a flexible way, and implement various measures to stimulate domestic demand, with an aim to reach its target annual economic growth rate of 6.7%.

In the second half of 2017, the Group plans to roll out a number of new or modified motorbike models in the Vietnamese market, including two electric motorbikes and other modified models of cub products, so as to achieve product diversification and greater profitability, and offer consumers with environmentally-friendly and convenient products at reasonable prices.

Although the industry outlook remains challenging, the Group will actively improve the operating environment through the following measures including enhance the core competitiveness of products, continue to carry out in-depth cost management, integrate sales teams and actively develop market. 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 US\$76.7 million. As at 30 June 2017, such net proceeds were utilised in the following manner:

	Per Prospectus US\$' million	Amount utilised US\$' million	Balances as at 30 June 2017 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	13.0	33.0
Mergers and acquisitions	9.0	1.7	7.3
General working capital	<u>2.7</u>	<u>2.7</u>	<u>–</u>
Total	<u><u>76.7</u></u>	<u><u>33.1</u></u>	<u><u>43.6</u></u>

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

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2017, 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 2017.

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 REPORTING PERIOD

Save as 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 THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, 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 2017 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 2017 (2016: 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 and on the Company's website at www.vmeph.com. The 2017 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 2017

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. Huang Kwang Wu, 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.