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 2014

Financial Highlights :	**(expressed in US$'million)**		
	Six months ended 30 June		
	2014	**2013**	**change**
• Total Revenue	88.4	88.9	-1%
• Gross Profit	6.1	7.3	-16%
• Net Loss after Tax	(5.2)	(4.3)	-20%
• Loss per share *(US$)*	(0.006)	(0.005)	-20%

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 2014 together with the comparative figures for the corresponding period in 2013.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014- unaudited

	Note	Six months ended 30 June 2014 US$	2013 US$
Revenue	3	88,359,894	88,905,685
Cost of sales		(82,223,295)	(81,622,594)
Gross profit		6,136,599	7,283,091
Other income		208,837	155,472
Distribution costs		(5,641,839)	(6,751,781)
Technology transfer fees		(2,102,608)	(1,861,895)
Administrative expenses		(6,365,349)	(6,164,933)
Other operating expenses		(8,619)	(60,652)
Results from operating activities		(7,772,979)	(7,400,698)
Finance income		2,992,742	4,055,100
Finance costs		(439,675)	(579,693)
Net finance income	4(a)	2,553,067	3,475,407
Share of profit of an associate, net of tax		39,042	44,647
Loss before taxation	4	(5,180,870)	(3,880,644)
Income tax	5	(21,867)	(442,933)
Loss for the period		(5,202,737)	(4,323,577)
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		(801,146)	(2,042,332)
Total comprehensive income for the period attributable to equity shareholders of the Company		(6,003,883)	(6,365,909)
Loss per share	6		
- Basic and diluted		(0.006)	(0.005)

Consolidated Statement of Financial Position

At 30 June 2014-unaudited

	Note	At 30 June 2014 US$	At 31 December 2013 US$
Non-current assets			
Property, plant and equipment	7	23,678,977	25,314,801
Intangible assets		286,534	370,887
Lease prepayments		5,787,168	6,047,579
Interest in an associate		655,135	622,018
Deferred tax assets		876,659	838,615
		31,284,473	33,193,900
Current assets			
Inventories		28,542,876	32,046,486
Trade receivables, other receivables and prepayments	8	33,835,668	27,695,187
Current tax recoverable		-	11,241
Investment		3,000,000	3,000,000
Derivatives		106,994	106,994
Time deposits maturing after three months		94,039,225	91,637,347
Cash and cash equivalents		18,284,853	22,741,624
		177,809,616	177,238,879
Current liabilities			
Trade and other payables	9	24,245,794	26,432,795
Bank loans		28,336,167	21,313,260
Current tax payable		58,536	104,842
Provisions		1,389,170	1,513,577
		54,029,667	49,364,474
Net current assets		123,779,949	127,874,405
Net assets		155,064,422	161,068,305
Capital and reserves			
Share capital		1,162,872	1,162,872
Reserves		153,901,550	159,905,433
Total equity		155,064,422	161,068,305

NOTES TO THE INTERIM RESULTS ANNOUNCEMENT

1. BASIS OF PREPARATION

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"). It was authorised for issue on 6 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 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 2013 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 3 March 2014.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the

Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities
The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report.

IFRIC 21, Levies
The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognized. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

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 2014			
	Manufacture and sale of motorbikes	**Manufacture and sale of spare parts and engines**	**Moulds and repair services**	**Total**
	US$	*US$*	*US$*	*US$*
Revenue from external customers	75,731,609	12,602,490	25,795	88,359,894
Inter-segment revenue	-	29,008,431	704,725	29,713,156
Reportable segment revenue	75,731,609	41,610,921	730,520	118,073,050
Reportable segment (loss)/profit (adjusted EBIT)	(4,995,101)	(1,819,586)	160,250	(6,654,437)
Reportable segment assets	49,983,309	32,628,957	1,268,859	83,881,125
Reportable segment liabilities	17,310,864	8,991,561	77,789	26,380,214
	Six months ended 30 June 2013			
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)/profit (adjusted EBIT)	(3,970,526)	(2,389,619)	75,112	(6,285,033)
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

The measure used for reporting segment loss is "adjusted EBIT" i.e. "adjusted loss before interest and taxes", where "interest" is regarded as net finance income/costs. To arrive at adjusted EBIT the Group's loss is further adjusted for items not specifically attributed to individual segments, such as share of 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	
	2014	**2013**
	US$	*US$*
Reportable segment loss	(6,654,437)	(6,285,033)
Elimination of inter-segment profits	(159,086)	(151,228)
Reportable segment loss derived from Group's external customers	(6,813,523)	(6,436,261)
Net finance income	2,553,067	3,475,407
Share of profit of an associate	39,042	44,647
Unallocated corporate expenses	(959,456)	(964,437)
Consolidated loss before taxation	(5,180,870)	(3,880,644)

4. Loss before taxation

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

(a) Net finance income

Interest income from banks	2,992,742	4,055,100
Finance income	2,992,742	4,055,100
Interest paid and payable to banks	(358,429)	(206,073)
Net foreign exchange loss	(81,246)	(373,620)
Finance costs	(439,675)	(579,693)
	2,553,067	3,475,407

(b) Staff costs

Salaries and wages	4,430,271	4,550,740
Staff welfare	904,522	983,720
Contributions to defined contribution retirement plans	503,356	545,675
Severance pay allowance	17,509	808
	5,855,658	6,080,943

(c) Other items

Amortisation of lease prepayments/ intangible assets	296,328	278,799
Depreciation of property, plant and equipment	3,209,618	3,312,657
Write-down of inventory	121,408	300,000
Research and development expenses	1,820,358	1,940,559

5. Income tax

	Six months ended 30 June 2014 *US$*	2013 *US$*
Current tax		
Provision for the period	69,967	19,772
(Over)/under-provision in respect of prior periods	(2,200)	707,879
	67,767	727,651
Deferred tax		
Origination and reversal of temporary differences	(45,900)	(284,718)
	21,867	442,933

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 2014.

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%.

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 2014 and 2015, and to 20% from 2016.

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.

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 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$5,202,737 (six months ended 30 June 2013: US$4,323,577) and 907,680,000 ordinary shares (2013: 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 2014 as there was no dilutive effect on loss per share since all outstanding share options were anti-dilutive.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of US$1,564,201 (six months ended 30 June 2013: US$1,519,533). Items of property, plant and equipment with a net book value of US$17,482 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: US$65,312), resulting in a gain on disposal of US$26,435 (six months ended 30 June 2013: loss on disposal of US$14,664).

8. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2014	**At 31 December 2013**
	US$	*US$*
Trade receivables	14,318,426	9,401,308
Non-trade receivables	15,591,620	14,898,577
Prepayments	3,236,177	3,331,156
Amounts due from related parties (non-trade)	689,445	64,146
	33,835,668	27,695,187

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:

Within 3 months	13,971,831	9,388,575
More than 3 months but within 1 year	341,031	2,648
More than 1 year	5,564	10,085
Trade receivables, net of allowance for doubtful debts	14,318,426	9,401,308

Represented by:

External parties	13,285,597	8,155,481
Related parties	1,032,829	1,245,827
	14,318,426	9,401,308

Non-trade receivables mainly represented VAT recoverable of US$9,587,746 (31 December 2013: US$9,380,986) and interest receivable of US$2,503,577 (31 December 2013: US$2,966,378).

9. TRADE AND OTHER PAYABLES

Trade payables	14,669,395	15,517,538
Other payables and accrued operating expenses	6,052,279	7,984,486
Advances from customers	875,953	1,115,504
Amounts due to related parties (non-trade)	2,648,167	1,815,267
	24,245,794	26,432,795

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 2014 *US$*	At 31 December 2013 *US$*
Within 3 months	14,457,844	15,403,263
More than 3 months but within 1 year	211,304	109,373
More than 1 year but within 5 years	247	4,902
	14,669,395	15,517,538
Represented by:		
External parties	11,243,418	12,316,236
Related parties	3,425,977	3,201,302
	14,669,395	15,517,538

MANAGEMENT DISCUSSION & ANALYSIS

Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") and its subsidiaries (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 economic growth picked up in the first half of the year 2014, with the gross domestic product (GDP) expanded 5.2%, up from 4.9% in the same period last year, according to a recent report from the General Statistics Office in Vietnam. Inflation had remained on a level below 5% and had fallen consistently since October 2013, showing slow recovery in the overall market demand and the economy. The central bank of Vietnam devalued the Vietnamese dong against the US dollar by 1% to help boost exports in June 2014 following anti-Chinese riots in May triggered by the protests.

The effect of the riots happened during the first half of 2014 on the economy was not as severe as originally contemplated. Although the riots damaged the country's reputation of the foreign investors, Vietnam economic growth is still considerably stable. According to a statement from Standard & Poor issued on 20 May 2014, Vietnam's growth potential was robust, in view of its well-diversified export manufacturing sector, a rising share of services and manufacturing in economic output, and the growth of the private sector, it also affirmed its 'BB-' long-term and 'B' short-term sovereign credit ratings on Vietnam indicating that the long-term outlook was stable. Vietnam's prime minister Nguyen Tan Dung also said recently that the country was targeting a GDP growth of around 5.8% this year, followed by 6.0% in 2015 and 6.5% for the next four years.

BUSINESS REVIEW

Vietnam's consumption market remained weak in the first half of the year. In particular, the growth in motorbike industry was slackened and units sold by foreign direct invest manufacturers has slowed down by 10% over the same period of previous year. This, coupled with the added production capacity going on stream, had led to the intense competition during the year.

The Group sold an aggregate of approximately 35,200 units (which comprised of approximately 13,100 units of scooters and 22,100 units of cubs respectively) in Vietnam for the six months ended 30 June 2014, representing a decrease of 18% over the corresponding period of previous year. In the contrast, due to the increase in demand in overseas markets, approximately 80,800 units of scooters and cubs were exported to ASEAN countries representing an increase of 62% over the comparative period of last year, in particular, there has been a rapid growth in sales in Malaysian and the Philippines markets.

During the first half of 2014, the Group has also strengthened its distribution network with 256 SYM-authorised stores owned by dealers to cover almost every province in Vietnam.

FINANCIAL REVIEW

Revenue decreased by 1% from US$88.9 million for the six months ended 30 June 2013 to US$88.4 million for the six months ended 30 June 2014, and the Group recorded a net loss of US$5.2 million for the six months ended 30 June 2014 as compared to a loss of US$4.3 million for the six months ended 30 June 2013.

REVENUE

Revenue of the Group for the six months ended 30 June 2014 amounted to US$88.4 million as compared to US$88.9 million for the six months ended 30 June 2013, representing a slight decrease of US$0.5 million or 1%. 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 18% and 53% respectively for the six months ended 30 June 2014 as compared with the six months ended 30 June 2013. In terms of geographical contribution, approximately 44% of total sales were generated from the domestic market in Vietnam for the six months ended 30 June 2014. Sales of scooters continued to be the Group's major profit driver. The principal scooter models include ATTILA-ELIZABETH, POWER, PASSING and SHARK, and cub models of ELEGANT and GALAXY.

COST OF SALES

The Group's cost of sales increased by 1%, from US$81.6 million for the six months ended 30 June 2013 to US$82.2 million for the six months ended 30 June 2014. Such increase was primarily due to the increase in labour costs and rising import costs of advance technology components like electronic fuel injection engines which was partly offset by cost reduction arising from expanding procurement sources for materials and components. As a percentage of total revenue, the Group's cost of sales increased from 92% for the six months ended 30 June 2013 to 93% for the six months ended 30 June 2014.

GROSS PROFIT AND GROSS PROFIT MARGIN

Owing to the drop of sales, the decrease of materials and components costs, and increase of labour costs as discussed above, the gross profit of the Group decreased by 16%, from US$7.3 million for the six months ended 30 June 2013 to US$6.1 million for the six months ended 30 June 2014. As compared with the comparative period, the Group's gross profit margin has decreased from 8% to 7%.

DISTRIBUTION EXPENSES

The Group's distribution expenses slightly decreased by 16%, from US$6.8 million for the six months ended 30 June 2013 to US$5.6 million for the six months ended 30 June 2014. Such decrease was mainly attributed to a decrease of sales incentives and supporting fees to distributors, advertising expenses for promotion.

TECHNOLOGY TRANSFER FEES

The technology transfer fees increased by 13%, from US$1.9 million for the six months ended 30 June 2013 to US$2.1 million for the six months ended 30 June 2014, resulting from an increase in the sales volume of SYM-branded motorbikes exported to ASEAN countries.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 3%, from US$6.2 million for the six months ended 30 June 2013 to US$6.4 million for the six months ended 30 June 2014, accounting for 7% of the Group's total revenue for the six months ended 30 June 2014. This was principally due to the increase of 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 5%, from a loss of US$7.4 million for the six months ended 30 June 2013 to a loss of US$7.8 million for the six months ended 30 June 2014.

NET FINANCE INCOME

The Group's net finance income decreased by 27%, from US$3.5 million for the six months ended 30 June 2013 to US$2.6 million for the six months ended 30 June 2014. Such decrease was mainly attributable to a decrease in interest income by US$1.1 million and an increase of bank interest expenses by US$0.2 million. Foreign exchange losses arisen from fluctuation of the Vietnamese Dong against the US dollar for the six months ended 30 June 2013 decreased from US$0.4 million to US$0.1 million for the six months ended 30 June 2014.

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 2014 amounted to US$5.2 million, as compared to a loss of US$4.3 million for the six months ended 30 June 2013. The Group's net loss margin worsen from 4.9% for the six months ended 30 June 2013 to 5.9% for the six months ended 30 June 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group's net current assets amounted to US$123.8 million (31 December 2013: US$127.8 million) which consisted of current assets amounting to US$177.8 million (31 December 2013: US$177.2 million) and current liabilities amounting to US$54.0 million (31 December 2013: US$49.4 million).

As at 30 June 2014, the Group had bank loans repayable within one year of US$28.3 million, including US$21.1 million denominated in US$ and US$7.2 million denominated in Vietnamese Dong (31 December 2013: US$21.3 million, including US$13.9 million denominated in US$ and US$7.4 million denominated in Vietnamese Dong). As at 30 June 2014, the Group had no bank loans repayable beyond one year (31 December 2013: US$Nil). As at 30 June 2014, the gearing ratio was 18% (31 December 2013: 13%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2014, the cash and bank balances (including bank deposits) amounted to US$112.3 million, including US$66.6 million denominated in Vietnamese Dong, US$29.4 million denominated in US$, US$16.1 million denominated in RMB and US$0.2 million denominated in NT$ and HK$ (31 December 2013: US$114.4 million, including US$67.3 million denominated in Vietnamese Dong, US$31.2 million denominated in US$, US$15.7 million denominated in RMB and US$0.2 million denominated in NT$ and HK$).

As at 30 June 2014, the Group had investments in financial instruments amounted to US$3.0 million (31 December 2013: US$3.0 million) which were 100% principal-protected US$ digital capital protected notes.

The board of directors ("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 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, United States Dollar and Renminbi.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2014, 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 2013: US$16.5 million*),* which will all be settled from cash generated from the Group's operations. The Group had no contingent liabilities as at 30 June 2014.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group offers competitive remuneration packages to its staff in Vietnam, Taiwan and Hong Kong, and regularly reviews its remuneration packages in light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, staff living quarters, training and development opportunities, medical benefits, insurance plan and retirement benefits. As at 30 June 2014, the Group had 1,883 employees (30 June 2013: 1,956). The total amount of salaries and related costs for the employees for the six months ended 30 June 2014 amounted to US$5.9 million (six months ended 30 June 2013: US$6.1 million).

CHANGES SINCE 31 DECEMBER 2013

Save as disclosed in this report, since 31 December 2013, 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 2013.

PROSPECTS

Vietnam as an emerging market has great opportunity to take advantage of a young labor force and its vast rural market, to push its economic growth to become a middle income country. Vietnam was targeting GDP growth of around 5.8% for 2014, which will continue to be a year of challenges for many businesses due to slow economic growth.

In the second half of this year, the Group plans to launch several new and modified motorbike models in Vietnam to expand the sales volume and to raise product price and profitability. Scooter models include ATTILA VENUS was launched on early June 2014, which reinforce the leading position of ELIZABETH brand targeted for female customers, and 125cc models for male customers expect to be launched at the end of this year. Moreover, the Group plans to optimize its product mix by deploying new cub models BIKE and 50 cc targeted at the students and young labor force.

The Group will also further reinforce the uprising markets in ASEAN countries, mainly Malaysia, the Philippines, Thailand, Brunei and Singapore. The Group will more actively engage 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 2014 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 maximize returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the IPO of the Company in December 2007, net of related listing expenses, amounted to US$76.7 million. As at 30 June 2014, such net proceeds were utilized in the following manner:

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 30 June 2014 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 2014, 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 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 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 standards set out in the Model Code for the six months ended 30 June 2014.

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

EVENT AFTER THE REPORT DATE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2014, 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 2014 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 2014 (2013: 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 interim report 2014 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, 6 August 2014

As at the date of this announcement, the board of directors of the Company (the "Directors") 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 three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei.