

VMEPH Vietnam

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)





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Wu Hsiung (Chairman)
 Mr. Cheng Hsu Chi (Chief Executive Officer)
 (appointed on 22 April 2021)
 Mr. Lin Chun Yu
 Mr. Chiang Chin Yung
 Mr. Lin Chih Ming (resigned on 22 April 2021)

Non-executive Directors

Mr. Chen Hsu Pin (appointed on 22 April 2021)
 Ms. Wu Li Chu
 Mr. Chiu Ying Feng (resigned on 22 April 2021)

Independent Non-executive Directors

Ms. Lin Ching Ching
 Ms. Wu Kwei Mei
 Mr. Cheung On Kit Andrew
 Mr. Shen Hwa Rong (resigned on 30 June 2021)

AUDIT COMMITTEE

Ms. Lin Ching Ching (Chairman)
 Ms. Wu Kwei Mei
 Mr. Cheung On Kit Andrew
 (appointed on 30 June 2021)
 Mr. Shen Hwa Rong (resigned on 30 June 2021)

REMUNERATION COMMITTEE

Ms. Lin Ching Ching (Chairman)
 Ms. Wu Kwei Mei
 Mr. Liu Wu Hsiung

AUTHORISED REPRESENTATIVES

Mr. Liu Wu Hsiung
 Ms. Ng Wing Shan

COMPANY SECRETARY

Ms. Ng Wing Shan

AUDITORS

KPMG
 Certified Public Accountants
 Public Interest Entity Auditor registered
 in accordance with the Financial Reporting
 Council Ordinance

LEGAL ADVISERS

Norton Rose Fulbright Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
 P.O. Box 2681, Grand Cayman KY1-1111
 Cayman Islands

HEAD OFFICE

Section 5, Tam Hiep Ward, Bien Hoa City
 Dong Nai, Vietnam

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
 No. 248 Queen's Road East
 Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
 Suite 3204, Unit 2A, Block 3
 Building D, P.O. Box 1586, Gardenia Court
 Camana Bay, Grand Cayman, KY1-1100
 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong
 Investor Services Limited
 Shops 1712-16, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai, Hong Kong

PRINCIPAL BANKERS

Asia Commercial Bank
 Jointstock commercial Bank for Foreign
 Trade of Vietnam

STOCK CODE

422

WEBSITE AND CONTACT

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MANAGEMENT DISCUSSION AND 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. The Group’s 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

During the first half of 2021, Vietnam and ASEAN countries continued to be affected by the impact of the novel coronavirus (the “COVID-19”). The supply chains were disrupted while business and trading activities came to a halt due to the pandemic and preventive quarantine arrangements, resulting in a decline in consumer confidence and an extremely volatile market. The operating performance of the Group was also restrained during the period.

The outbreak of two waves of COVID-19 pandemic in Vietnam in the first half of 2021 and the subsequent adoption of social distancing policy have imposed negative impacts on business and trading activities. The major export markets, including Malaysia and the Philippines, have also experienced a resurgence of the COVID-19 pandemic. In response, the local governments implemented lock-down measures, resulting in lower income of the people and a decline in consumer sentiment, which in turn has affected the Group’s manufacturing and sales activities. The pandemic has been relatively gentle in Thailand as compared to the situations in the aforementioned countries, and its overall business environment has been more stable than other ASEAN countries.

In addition to the above-mentioned impacts of the COVID-19 pandemic, there is still keen competition in the business environment in Vietnam and ASEAN countries. Facing such operating pressure, the management of the Group will continue to devote its best efforts to proactively identify potential business opportunities and pursue sustainable development in order to ensure stability in production and keep its operation in order with a view to minimise the adverse impacts.



BUSINESS REVIEW

For the six months ended 30 June 2021, the Group sold about 19,800 units of motorbikes (including about 2,400 units of scooters, 17,200 units of cubs and 200 units of electric motorbikes) in Vietnam, representing an increase of 32% as compared with the same period last year. The sales results of the Group has not become sluggish under the COVID-19 pandemic was mainly attributed to its efforts to proactively roll out several modified motorbike models during the first half of 2021, which were well received by consumers. Moreover, given the shortage of raw materials in the global supply chain and the rising prices of components, the Group has gradually raised the selling price of its products since May 2021 while distributors in Vietnam have been pre-ordering products in anticipation of the price increase.

The Group sold an aggregate of approximately 29,700 units of scooters and cubs by exporting to ASEAN countries, representing an increase of 126% from the same period last year. Such increase was mainly attributed to the Group's efforts to proactively expand its sales market to Thailand and Greece. Since the pandemic has been under control in Thailand, sales of the motorbike models for which the Group provided original equipment manufacturing services for Lambretta (a brand under the Group's partner) remained stable. Moreover, the DRONE model, a high-quality scooter developed jointly with a renowned local motorbike manufacturer in Thailand, GP Motor (Thailand) Co., LTD, was well received by the mid-to-high-end market in Thailand, the launch of which caused a sensation in the market and has successfully driven the sales. In the Greek market, the Group's two products, which were launched in response to the more stringent environmental emission regulation "EURO5", provide enhanced power output with reliability and durability, and saw steady monthly sales growth in the first half of 2021. In Malaysia, the Group's focused export market, sales of the major advanced-level models of VF-series motorbikes grew steadily during the first half of 2021 with the stable control of the COVID-19 pandemic, while the newly launched JET X scooter model, targeting the mature white-collar market, received an enthusiastic response from the market. However, with the resurgence and spread of the COVID 19 pandemic in Malaysia, the Group's sales in the country were slowed or suspended, which directly affected the local operations.

Despite the challenges posed by the volatility of the COVID-19 pandemic in Vietnam and ASEAN countries during the first half of 2021, the Group has continued its efforts to implement flexible procurement of raw materials and components, control of product inventory levels and a number of cost-saving measures so as to stabilise its operations.



FINANCIAL REVIEW

The Group's revenue increased by 116% from US\$27.8 million for the six months ended 30 June 2020 to US\$60.0 million for the six months ended 30 June 2021. The Group's net loss for the six months ended 30 June 2021 decreased by US\$3.0 million, from a net loss of US\$4.2 million for the six months ended 30 June 2020 to a net loss of US\$1.2 million for the six months ended 30 June 2021. Further analysis on the operating results of the Group is set out below.

REVENUE

The Group's revenue for the six months ended 30 June 2021 was US\$60.0 million, representing an increase of US\$32.2 million or 116% as compared with US\$27.8 million for the six months ended 30 June 2020. Such increase was attributed to the following reasons: For domestic sales in Vietnam, local distributors placed orders in advance of the Group's upward adjustment strategy for its product price, which boosted sales and hence revenue, and the rise in product price also contributed to the revenue growth. For export sales, the revenue growth was driven by increased sales of mid-to-high-end products, partially offset by the slowdown or suspension of sales activities due to the recurrent outbreak of the COVID-19 pandemic in ASEAN countries.

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 increased by 115%, from US\$25.4 million for the six months ended 30 June 2020 to US\$54.5 million for the six months ended 30 June 2021. Such increase was mainly attributed to the increase in sales volume and the shortage of raw materials and higher prices of components. The increase in sales volume also facilitated the efficiency of the Group's scale-up production, which in turn reduced production costs and offset some of the increase in costs.

As a percentage of total revenue, the Group's cost of sales decreased from 91.4% for the six months ended 30 June 2020 to 91.0% for the six months ended 30 June 2021. The Group will continue to strive to decrease the production cost per unit and stabilise production costs by developing new sourcing channels and reselecting suppliers.



GROSS PROFIT AND GROSS PROFIT MARGIN

During the six months ended 30 June 2021, the Group recorded a gross profit and gross profit margin of approximately US\$5.4 million and 9.0% respectively (six months ended 30 June 2020: gross profit and gross profit margin of approximately US\$2.4 million and 8.6% respectively). The Group's profitability improved mainly due to the implementation of price adjustment strategies in the Vietnam market, proactive development of new products and market expansion in export markets, as well as optimisation of product sales structure.

DISTRIBUTION EXPENSES

The Group's distribution expenses increased by 57%, from US\$2.1 million for the six months ended 30 June 2020 to US\$3.3 million for the six months ended 30 June 2021. Such increase was mainly attributed to the Group's increased funding for marketing expenses in new sales channels, the increase in sales incentives payable to distributors in line with the growth in sales, as well as the increase in logistics-related expenses in the first half of 2021.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative and other operating expenses increased by 3%, from US\$3.4 million for the six months ended 30 June 2020 to US\$3.5 million for the six months ended 30 June 2021. The administrative and other operating expenses accounted for 6% of the Group's total revenue for the six months ended 30 June 2021. Such increase was mainly in line with the growth in sales and the consequent increase in overall administrative expenses. The Group has adopted a stringent budgetary control system while administrative and other operating expenses have stabilised, the rates of such expenses have declined steadily due to the revenue growth.

RESULTS FROM OPERATION

As a result of the factors discussed above, the Group's results from operation improved by US\$1.1 million, from a loss of US\$2.8 million for the six months ended 30 June 2020 to a loss of US\$1.7 million for the six months ended 30 June 2021.

NET FINANCE INCOME

The Group's net finance income increased by 33%, from US\$0.6 million for the six months ended 30 June 2020 to US\$0.8 million for the six months ended 30 June 2021. Such increase was mainly attributable to a decrease in bank interest income by US\$0.1 million, decrease in bank interest expense by US\$0.07 million and increase in foreign exchange incomes of US\$0.2 million arising from fluctuation of the Vietnamese Dong against the US dollar.



IMPAIRMENT LOSS ON OTHER PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR OTHER PROPERTY, PLANT AND EQUIPMENT

Due to the poor results of the Group's manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment during the six months ended 30 June 2021, the Group considered it was an indication that the other property, plant and equipment for the manufacturing and sales of motorbikes segment, manufacturing and sales of spare parts and engines segment and moulds and services segment (the "Relevant PPE") and prepayments for other property, plant and equipment may be impaired. Accordingly, the Group carry out an impairment testing on the Relevant PPE and prepayments for other property, plant and equipment and noted an impairment loss of approximately US\$0.3 million on the other property, plant and equipment and prepayments for other property, plant and equipment were required as at the six months ended 30 June 2021.

LOSS FOR THE PERIOD AND MARGIN

As a result of the factors discussed above, the Group's net loss decreased by US\$3.0 million, from a loss of US\$4.2 million for the six months ended 30 June 2020 to a loss of US\$1.2 million for the six months ended 30 June 2021. The Group's net loss margin improved from 15.3% for the six months ended 30 June 2020 to 2.0% for the six months ended 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group's net current assets amounted to US\$49.4 million (31 December 2020: US\$50.3 million) which consisted of current assets amounting to US\$107.5 million (31 December 2020: US\$99.3 million) and current liabilities amounting to US\$58.2 million (31 December 2020: US\$49.0 million).

As at 30 June 2021, the Group had bank loans repayable within one year of US\$38.4 million (31 December 2020: US\$30.5 million). As at 30 June 2021, the Group had no interest-bearing bank loans repayable beyond one year (31 December 2020: Nil). As at 30 June 2021, the gearing ratio was 68% (31 December 2020: 53%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2021, the cash and bank balances (including bank deposits) amounted to US\$49.1 million, including US\$42.5 million denominated in Vietnamese Dong and US\$6.4 million denominated in US dollar (31 December 2020: US\$49.1 million, which mainly included US\$37.9 million denominated in Vietnamese Dong and US\$11.1 million denominated in US dollar).

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group's long-term development. There was no change in the Group's approach to capital management during the six months ended 30 June 2021.



EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnamese Dong and US dollar. The Group was not exposed to material exchange rate risk and had not employed any financial instruments for hedging purposes. The Group adopts conservative treasury policies in cash and financial management, with its cash generally placed in short-term deposits mostly denominated in Vietnamese Dong and US dollar.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group offers competitive remuneration packages to its staff in Vietnam and Taiwan, and regularly reviews its remuneration packages in light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, staff quarters, training and development opportunities, medical benefits, insurance plan and retirement benefits. As at 30 June 2021, the Group had 1,188 employees (30 June 2020: 1,292). The total amount of salaries and related costs for the employees for the six months ended 30 June 2021 amounted to approximately US\$5.9 million (six months ended 30 June 2020: US\$5.4 million).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2021, the Group had no material acquisition or disposal of subsidiaries and associated companies.

CHANGES SINCE 31 DECEMBER 2020

Save as disclosed in this report, since 31 December 2020, 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 2020.



PROSPECTS

Looking ahead to the second half of 2021, the fluctuations of the COVID-19 pandemic will create a series of uncertainties for Vietnam and ASEAN countries. The economic recovery of ASEAN countries will depend, to a large extent, on the efficiency of the rapid and large-scale vaccination programs and sustainable recovery policies implemented by the respective governments. The Group will continue to closely monitor the development of the pandemic and market changes in Vietnam and ASEAN countries, so as to respond flexibly and make appropriate decisions.

Amid the tough business environment, the Group will adhere to its operating approach of focusing on its primary business, product quality and customers' satisfaction. The Group will adopt product innovation as its key strategy to further strengthen its capabilities in product design and core technology development. In the second half of 2021, for domestic sales, the Group will continue to focus on the Vietnamese student market and capitalise on the peak season with our major product, cub motorbikes; and the Group will also launch tailor-made models for working-class customers to thrive in such market. For export sales, the Group has accelerated the upgrading of the engine power of our hot-selling DRONE model and further refined the appearance and colour combinations of our products, so as to achieve further sales success in the Thai market. The Group will also continue extend the geographical coverage of its sales and services centres in order to provide its customers with better product repair and maintenance services. In ASEAN countries, the Group will step up further to engage in marketing and promotional activities, and to provide better after-sales services overseas.

In addition, the Group will seize all available development opportunities to enhance its long-term profitability and maximise returns to the shareholders of the Company.

APPLICATION OF INITIAL PUBLIC OFFERING PROCEEDS

The proceeds from the initial public offering of the Company in December 2007, net of related listing expenses, amounted to approximately US\$76.7 million, which will be used in accordance with the manners stated in the prospectus of the Company (the "Prospectus") and the announcement headed "change in use of proceeds" of the Company dated 10 May 2019 (the "Announcement").



The table below sets out the detailed items of the use of proceeds from the initial public offering as at 30 June 2021:

	Net proceeds from the initial public offering as stated in the Prospectus and the Announcement	Amounts utilised as at 30 June 2021	Balance unutilised as at 30 June 2021
	Approximately in <i>US\$' million</i>	Approximately in <i>US\$' million</i>	Approximately in <i>US\$' million</i>
Construction of research and development centre in Vietnam	11.7	11.7	–
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	15.0	15.0	–
Mergers and acquisitions	9.0	9.0	–
General working capital	2.7	2.7	–
Development of production sites as well as the relocation of existing production facilities	15.0	11.1	3.9
Land development	19.3	4.2	15.1
Total	76.7	57.7	19.0

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.



OTHER INFORMATION

CHANGES OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

Mr. Cheng Hsu Chi and Mr. Chen Hsu Pin have been appointed as an executive director and a non-executive director of the Company, respectively with effect from 22 April 2021.

Mr. Cheng Hsu Chi acted as the chief executive officer of the Company and the general manager of the Company's subsidiaries, Vietnam Manufacturing and Export Processing Company Limited and Chin Zong Trading Company Limited with effect from 22 April 2021.

Mr. Lin Chih Ming resigned as an executive director and the chief executive officer of the Company with effect from 22 April 2021.

Mr. Chiu Ying Feng resigned as a non-executive director of the Company with effect from 22 April 2021.

Mr. Shen Hwa Rong resigned as an independent non-executive director and a member of the audit committee of the Company with effect from 30 June 2021.

Mr. Cheung On Kit Andrew has been appointed as a member of the audit committee of the Company with effect from 30 June 2021.

Save as disclosed above, no information relating to the directors or chief executive of the Company is required to be disclosed in accordance with Rules 13.51(2) and 13.51(B)(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the publication of the Company's 2020 annual report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 30 June 2021, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:



Interests and short positions in the shares of the Company

Name of directors	Types of shares	Capacity	Number of shares held (shares)	Approximate percentage of total share capital (%)
Mr. Cheng Hsu Chi	Ordinary Shares	Interest of spouse ¹	44,000 (L)	0.005%

(L) – Long position

Interests and short positions in the shares of Sanyang Motor Company Limited

Name of directors	Types of shares	Capacity	Number of shares held (shares)	Approximate percentage of total share capital (%) ²
Mr. Liu Wu Hsiung	Ordinary Shares	Beneficial owner	111,380 (L)	0.014%
Mr. Cheng Hsu Chi	Ordinary Shares	Beneficial owner	18 (L)	0.000%
Mr. Chiang Chin Yung	Ordinary Shares	Beneficial owner	80,480 (L)	0.010%
Ms. Wu Li Chu	Ordinary Shares	Beneficial owner	17,046,560 (L)	2.123%

(L) – Long position

Notes:

1. Mr. Cheng Hsu Chi's spouse, Ms. Ku Hsiu Ling, has 22,000 units Taiwan Depository Receipt of the Company, equivalent to 44,000 shares of the Company. Mr. Cheng is deemed to be interested in the shares of the Company held by his spouse Ms. Ku Hsiu Ling under Part XV of the SFO.
2. The calculation is based on the total number of 803,077,604 shares of Sanyang Motor Company Limited in issue as of 30 June 2021.

Save as disclosed above, as at 30 June 2021, so far as is known to the directors of the Company, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interest and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As of 30 June 2021, so far as known to the Company after reasonable enquiry, the following persons (other than the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

Name of shareholders	Types of shares	Capacity	Number of shares/ underlying shares held (shares)	Approximate percentage of total share capital (%)
Sanyang Motor Company Limited	Ordinary Shares	Interest in controlled corporation	608,818,000 (L)	67.07%
SY International Ltd. ¹	Ordinary Shares	Beneficial owner	608,818,000 (L)	67.07%

(L) – Long position

Note:

1. SY International Ltd. is a direct wholly-owned subsidiary of Sanyang Motor Company Limited and therefore Sanyang Motor Company Limited is deemed to be interested in the shares of the Company held by SY International Ltd. under Part XV of the SFO.

Save as disclosed above, as at 30 June 2021, the directors of the Company are not aware of any other person (other than directors or chief executive of the Company) have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the six months ended 30 June 2021 were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, granted to any directors of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies a party to any arrangement to enable the directors of the Company to acquire such benefits through such means.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2021, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules, except for the following deviation:

Paragraph A.5.2 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 of directors of the Company (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 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 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the directors of the Company, as at the date of this report, the Company has maintained the prescribed sufficient public float of under the Listing Rules.



EVENT AFTER THE REPORTING PERIOD

In early July 2021, following the outbreak of the COVID-19 pandemic in Vietnam, the local government has continued to implement a series of containment measures. As a result of the measures implemented, the Group has temporarily suspended the operations of its production facility in Nhon Trach Industrial Zone II of Dong Nai Province in Vietnam for a few weeks, with effect from 22 July 2021.

Up to the date of this report, given the rapidly changing nature of the COVID-19 outbreak, the Group will continue to closely monitor the development of the COVID-19 pandemic in Vietnam and will provide further updates as and when any other significant developments arise.

Save as disclosed above, there is no material subsequent event taken place by the Group after 30 June 2021 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The unaudited interim results and the interim report for the six months ended 30 June 2021 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 did not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: Nil). Accordingly, no closure of the register of members of the Company is proposed.

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, 11 August 2021



**Review report to the Board of Directors of
Vietnam Manufacturing and Export Processing (Holdings) Limited**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 17 to 38 which comprises the consolidated statement of financial position of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “Company”) as of 30 June 2021 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

11 August 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 - unaudited

(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2021 US\$	2020 US\$
Revenue	4	59,955,149	27,782,529
Cost of sales		(54,536,040)	(25,379,930)
Gross profit		5,419,109	2,402,599
Other income		196,342	437,639
Distribution costs		(3,316,607)	(2,085,125)
Technology transfer fees		(468,634)	(177,854)
Administrative and other operating expenses		(3,539,583)	(3,418,334)
Results from operation		(1,709,373)	(2,841,075)
Finance income		1,225,711	1,143,861
Finance costs		(441,851)	(511,176)
Net finance income	5(a)	783,860	632,685
Impairment loss on other property, plant and equipment	5(c)	(282,986)	(2,018,855)
Impairment loss on prepayments for other property, plant and equipment	5(c)	(35,564)	–
Share of profit/(loss) of an associate		39,412	(12,067)
		(279,138)	(2,030,922)
Loss before taxation	5	(1,204,651)	(4,239,312)
Income tax credit/(expense)	6	12,580	(435)
Loss for the period		(1,192,071)	(4,239,747)



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 - unaudited (continued)

(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2021 US\$	2020 US\$
Other comprehensive income for the period (after tax)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries and an associate		236,154	(239,646)
Total comprehensive income for the period		(955,917)	(4,479,393)
Loss for the period attributable to:			
Equity shareholders of the Company		(1,192,069)	(4,239,745)
Non-controlling interests		(2)	(2)
		(1,192,071)	(4,239,747)
Total comprehensive income attributable to:			
Equity shareholders of the Company		(955,915)	(4,479,391)
Non-controlling interests		(2)	(2)
		(955,917)	(4,479,393)
Loss per share			
– Basic and diluted	7	(0.001)	(0.005)

The notes on pages 23 to 38 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 - unaudited

(Expressed in United States dollars)

	Note	At 30 June 2021 US\$	At 31 December 2020 US\$
Non-current assets			
Investment properties		4,170,900	4,168,310
Other property, plant and equipment	9	2,970,235	3,035,417
Interest in an associate		621,847	580,039
Deferred tax assets		88,686	87,913
		7,851,668	7,871,679
Current assets			
Inventories	10	27,530,234	25,415,896
Trade receivables, other receivables and prepayments	11	30,932,553	24,797,444
Current tax recoverable		32,620	31,851
Cash and bank balances	12	49,054,104	49,078,816
		107,549,511	99,324,007
Current liabilities			
Trade and other payables	13	18,684,048	17,352,943
Bank loans	14	38,374,324	30,529,160
Lease liabilities		24,593	39,800
Current tax payable		–	1,764
Provisions		1,104,253	1,100,406
		58,187,218	49,024,073
Net current assets		49,362,293	50,299,934
Total assets less current liabilities		57,213,961	58,171,613
Non-current liabilities			
Lease liabilities		698,208	699,943
NET ASSETS		56,515,753	57,471,670



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 - unaudited (continued)

(Expressed in United States dollars)

	At 30 June 2021 US\$	At 31 December 2020 US\$
Capital and reserves		
Share capital	1,162,872	1,162,872
Reserves	55,348,572	56,304,487
Total equity attributable to equity shareholders of the Company	56,511,444	57,467,359
Non-controlling interests	4,309	4,311
TOTAL EQUITY	56,515,753	57,471,670

Approved and authorised for issue by the Board of Directors on 11 August 2021.

Director

Mr. Cheng Hsu Chi

Director

Mr. Lin Chun Yu

The notes on pages 23 to 38 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 - unaudited

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Accumulated losses			
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2020	1,162,872	112,198,709	1,962,666	(35,422,219)	22,783	(15,364,023)	64,560,788	4,315	64,565,103
Changes in equity for the year:									
Loss for the year	-	-	-	-	-	(7,285,844)	(7,285,844)	(4)	(7,285,848)
Other comprehensive income	-	-	-	192,415	-	-	192,415	-	192,415
Total comprehensive income	-	-	-	192,415	-	(7,285,844)	(7,093,429)	(4)	(7,093,433)
Transfer retained profits to statutory reserves	-	-	-	-	9,859	(9,859)	-	-	-
Balance at 31 December 2020	1,162,872	112,198,709	1,962,666	(35,229,804)	32,642	(22,659,726)	57,467,359	4,311	57,471,670
Balance at 1 January 2021	1,162,872	112,198,709	1,962,666	(35,229,804)	32,642	(22,659,726)	57,467,359	4,311	57,471,670
Changes in equity for the period:									
Loss for the period	-	-	-	-	-	(1,192,069)	(1,192,069)	(2)	(1,192,071)
Other comprehensive income	-	-	-	236,154	-	-	236,154	-	236,154
Total comprehensive income	-	-	-	236,154	-	(1,192,069)	(955,915)	(2)	(955,917)
Balance at 30 June 2021	1,162,872	112,198,709	1,962,666	(34,993,650)	32,642	(23,851,795)	56,511,444	4,309	56,515,753

The notes on pages 23 to 38 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 - unaudited

(Expressed in United States dollars)

	Six months ended 30 June	
	2021 US\$	2020 US\$
Cash used in operations	(7,977,434)	(3,684,040)
Tax paid	(485)	(40,764)
Net cash used in operating activities	(7,977,919)	(3,724,804)
Investing activities		
(Increase)/decrease in time deposits maturing after three months	(9,852,802)	276,525
Others	683,496	(1,855,822)
Net cash used in investing activities	(9,169,306)	(1,579,297)
Financing activities		
Proceeds from borrowings	47,168,309	26,828,220
Repayment of borrowings	(39,457,522)	(26,120,012)
Others	(461,827)	(540,965)
Net cash generated from financing activities	7,248,960	167,243
Net decrease in cash and cash equivalents	(9,898,265)	(5,136,858)
Cash and cash equivalents at 1 January	15,748,526	19,016,628
Effect of foreign exchange rate changes	20,751	5,704
Cash and cash equivalents at 30 June	5,871,012	13,885,474

The notes on pages 23 to 38 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

1 REPORTING CORPORATE INFORMATION

Vietnam Manufacturing and Export Processing (Holdings) Limited (the “Company”) was incorporated in the Cayman Islands on 20 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries (collectively, the “Group”) are principally engaged in manufacture and sales of motorbikes, related spare parts and engines and provision of motorbike maintenance services.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 20 December 2007.

2 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 11 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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.



2 BASIS OF PREPARATION (continued)

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 2020 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. KPMG’s independent review report to the Board of Directors is included on page 16.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

3 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.

4 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.



4 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2021	2020
	<i>US\$</i>	<i>US\$</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Manufacture and sale of motorbikes	53,943,313	22,569,854
– Manufacture and sale of spare parts and engines	5,943,676	5,129,208
– Moulds and repair services	68,160	83,467
	59,955,149	27,782,529
Disaggregated by geographical location of customers		
– Vietnam (place of domicile)	16,902,821	13,588,058
– Malaysia	16,345,310	5,899,272
– Thailand	22,591,753	2,932,629
– The Philippines	1,534,863	2,786,172
– Greece	1,343,044	1,059,461
– Taiwan	67,048	557,874
– Other countries	1,170,310	959,063
	59,955,149	27,782,529



4 REVENUE AND SEGMENT REPORTING (continued)

(b) Information about reportable segment revenue and profit or loss

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purpose of resource allocation and assessment of segment performance for the period in set out below:

	Six months ended 30 June 2021			
	Manufacture and sale of motorbikes US\$	Manufacture and sale of spare parts and engines US\$	Moulds and repair services US\$	Total US\$
Revenue from external customers recognised at point in time	53,943,313	5,943,676	68,160	59,955,149
Inter-segment revenue	-	15,418,247	-	15,418,247
Reportable segment revenue	53,943,313	21,361,923	68,160	75,373,396
Segment (loss)/profit before depreciation	(212,830)	(597,897)	6,693	(804,034)
Depreciation	(76,325)	-	-	(76,325)
Reportable segment (loss)/profit ("adjusted EBIT")	(289,155)	(597,897)	6,693	(880,359)
Share of profit of an associate				39,412
Net finance income				783,860
Impairment loss on other property, plant and equipment				(282,986)
Impairment loss on prepayments for other property, plant and equipment				(35,564)
Unallocated corporate expenses				(829,014)
Loss before taxation				(1,204,651)



4 REVENUE AND SEGMENT REPORTING (continued)

(b) Information about reportable segment revenue and profit or loss (continued)

	Six months ended 30 June 2020			
	Manufacture and sale of motorbikes US\$	Manufacture and sale of spare parts and engines US\$	Moulds and repair services US\$	Total US\$
Revenue from external customers recognised at point in time	22,569,854	5,129,208	83,467	27,782,529
Inter-segment revenue	-	1,016,899	-	1,016,899
Reportable segment revenue	22,569,854	6,146,107	83,467	28,799,428
Segment (loss)/profit before depreciation	(908,789)	(1,036,927)	15,739	(1,929,977)
Depreciation	(75,435)	-	-	(75,435)
Reportable segment (loss)/profit ("adjusted EBIT")	(984,224)	(1,036,927)	15,739	(2,005,412)
Share of loss of an associate				(12,067)
Net finance income				632,685
Impairment loss on other property, plant and equipment				(2,018,855)
Unallocated corporate expenses				(835,663)
Loss before taxation				(4,239,312)

The measure used for reporting segment result is "adjusted EBIT" i.e. "adjusted earnings or loss before interest and taxes", where "interest" is regarded as net finance income. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profit/(loss) of an associate, impairment losses on other property, plant and equipment and prepayments for other property, plant and equipment ("Motorbike non-current assets"), and other head office or corporate administration expenses.



5 LOSS BEFORE TAXATION

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

(a) Net finance income

	Six months ended 30 June	
	2021 <i>US\$</i>	2020 <i>US\$</i>
Interest income from banks	(954,293)	(1,058,423)
Net foreign exchange gain	(271,418)	(85,438)
<hr/>		
Finance income	(1,225,711)	(1,143,861)

Interest paid and payable to banks	416,604	484,756
Interest on lease liabilities	25,247	26,420
<hr/>		
Finance costs	441,851	511,176

	(783,860)	(632,685)
<hr/>		

(b) Staff costs

	Six months ended 30 June	
	2021 <i>US\$</i>	2020 <i>US\$</i>
Salaries, wages and other benefits	5,242,101	4,676,091
Contributions to defined contribution retirement plans	602,743	645,920
Severance pay allowance	48,654	31,401
<hr/>		
	5,893,498	5,353,412
<hr/>		



5 LOSS BEFORE TAXATION (continued)

(c) Other items

	Six months ended 30 June	
	2021 US\$	2020 US\$
Depreciation of investment properties and other property, plant and equipment	90,942	89,795
Gain on disposal of other property, plant and equipment	(52,013)	(388)
Write-down of inventories (note 10)	343,322	63,045
Research and development expenses	813,607	913,806
Impairment loss on other property, plant and equipment [#]	282,986	2,018,855
Impairment loss on prepayments for other property, plant and equipment [#]	35,564	–

[#] The manufacturing and sale of motorbikes segment, manufacturing and sale of spare parts and engines segment and moulds and repair services segment in Vietnam are considered one cash generating unit (“CGU”) of the Group.

The Group suffered significant operating losses (before impairment losses on Motorbike non-current assets) over the past few years due to the fierce competition in the motorbike industry and increase of manufacturing cost on newly launched products. Based on an impairment assessment conducted by management, impairment losses totaling US\$318,550 (six months ended 30 June 2020: US\$2,018,855) was recognised in profit or loss during the period to write down the carrying value of other property, plant, and equipment and prepayments for other property, plant and equipment of the CGU to their recoverable amounts of US\$2,970,235 during the period (30 June 2020: US\$3,098,805).

The recoverable amount of the CGU is determined based on the higher of its value-in-use and the fair value less costs of disposal. During the period, management identified certain buildings included in the CGU which carrying values are likely to be recovered through a sales transaction. The recoverable amounts of these buildings are measured based on their fair value less costs of disposal. This valuation model considers recent sales prices of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group’s buildings compared to the recent sales. Higher premium for higher quality buildings will result a higher fair value measurement. The fair value on which recoverable amount is based is categorised as a Level 3 measurement under the three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. Key unobservable inputs include the premium on quality of the buildings of 3% (six months ended 30 June 2021: 4%). For assets which management considers are likely to recover through continuing use, the Group assessed the recoverable amount based on a value-in-use calculation. These calculations use cash flow forecast based on financial budgets approved by management in which cash flows are discounted using pre-tax discount rate of 15% (six months ended 30 June 2020: 15%).



6 INCOME TAX (CREDIT)/EXPENSES

	Six months ended 30 June	
	2021 US\$	2020 US\$
Current tax		
Provision for the period	–	413
(Over)/under-provision in respect of prior periods	(12,580)	22
	(12,580)	435

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 2021 and 2020.

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 20%.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000, the Investment Law of 2006, and the Law on Corporate Income Tax of 2003 in Vietnam, the applicable tax rate for Duc Phat Molds Inc. is 20% from 2016 onwards.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000 in Vietnam, the applicable CIT rate for Vietnam Casting Forge Precision Limited is 15% from 2013 onwards.

On 19 June 2013, the National Assembly in Vietnam approved the Law on amendments and supplements to a number of articles of the Corporate Income Tax Law. Accordingly, the highest income tax rate shall be reduced from 25% to 22% for 2015, and to 20% from 2016.

In accordance with the Corporate Income Tax Law of Taiwan, as amended in 2019, the applicable tax rate for Chin Zong Trading Co., Ltd. ("Chin Zong") is 20% if the taxable profit for the year is above New Taiwan Dollar ("NT\$") 120,000. Income tax is exempted if the taxable profit is below NT\$120,000.



7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of US\$1,192,069 (six months ended 30 June 2020: US\$4,239,745) and the weighted average of 907,680,000 ordinary shares (2020: 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 2021 and 2020 as there were no potential dilutive ordinary shares in existence during the six months ended 30 June 2021 and 2020.

8 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

9 OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions of other property, plant and equipment

During the six months ended 30 June 2021, the Group acquired items of other property, plant and equipment with a cost of US\$284,564 (six months ended 30 June 2020: US\$2,018,855).

(b) Impairment losses

During the six months period ended 30 June 2021, an impairment loss of US\$282,986 (six months ended 30 June 2020: US\$2,018,855) was recognised in profit or loss for other property, plant and equipment (see note 5(c)).

10 INVENTORIES

During the six months ended 30 June 2021, US\$343,322 (six months ended 30 June 2020: US\$63,045) has been recognised as an expense in profit or loss, being the amount of a write-down of motorbikes manufacturing inventories to estimated net realisable value. This write-down arose due to a decrease in the estimated net realisable value of certain inventories as a result of slow moving status.



11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2021 US\$	At 31 December 2020 US\$
Trade receivables	15,361,848	12,360,754
Non-trade receivables	15,069,272	12,106,333
Prepayments	342,911	147,313
Amounts due from related parties		
Trade	158,522	103,261
Non-trade	-	79,783
	30,932,553	24,797,444

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	At 30 June 2021 US\$	At 31 December 2020 US\$
Within 3 months	15,518,270	12,252,029
More than 3 months but within 1 year	2,100	211,986
	15,520,370	12,464,015

The Group's exposure to credit risk is low as the Group generally offers no credit terms to domestic customers, except for a customer, who is granted a credit term of 90 days. Overseas customers are generally granted credit terms ranging from 30 days to 90 days. At the end of the reporting period, 58% (31 December 2020: 56%) of the total trade receivables was due from the Group's largest debtor.

Non-trade receivables mainly represented VAT recoverable of US\$5,650,300 (31 December 2020: US\$5,112,968) and import tax refundable of US\$6,839,348 (31 December 2020: US\$4,462,340).



12 CASH AND BANK BALANCES

	At 30 June 2021 US\$	At 31 December 2020 US\$
Cash at banks and on hand	3,326,200	8,132,208
Time deposits maturing within three months	2,544,812	7,616,318
Cash and cash equivalents in condensed consolidated cash flow statement	5,871,012	15,748,526
Time deposits maturing after three months	43,183,092	33,330,290
	49,054,104	49,078,816

13 TRADE AND OTHER PAYABLES

	At 30 June 2021 US\$	At 31 December 2020 US\$
Trade payables	5,339,465	6,005,364
Other payables and accrued operating expenses	4,330,666	6,518,201
Contract liabilities – billings in advance of performance	2,437,588	596,014
Amounts due to related parties		
Trade	6,075,442	2,640,028
Non-trade	500,887	1,593,336
	18,684,048	17,352,943



13 TRADE AND OTHER PAYABLES (continued)

As of the end of the reporting period, the ageing analysis of trade payables of the Group (including trade payables due to related parties), based on the invoice date, is as follows:

	At 30 June 2021 US\$	At 31 December 2020 US\$
Within 3 months	11,374,744	8,465,316
More than 3 months but within 1 year	27,442	169,035
More than 1 year but within 5 years	12,721	11,041
	11,414,907	8,645,392

14 BANK LOANS

As of the end of the reporting period, the bank loans of the Group were secured by time deposits of US\$23,585,587 (31 December 2020: US\$18,621,528) of the Group.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All of the Group's financial instruments were carried at cost or amortised cost as at 31 December 2020 and 30 June 2021 and their carrying amounts are not materially different from their fair values.

16 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June 2021 US\$	At 31 December 2020 US\$
Contracted for	1,254,140	1,249,008



17 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2021, transactions with the following parties are considered as material related party transactions:

Name of party	Relationship
Sanyang Motor Co., Ltd. ("Sanyang")	The ultimate holding company
Sanyang Global Co., Ltd.	A subsidiary of Sanyang
Xiamen Xiashing Motorcycle Co., Ltd.	A subsidiary of Sanyang
Vietnam Three Brothers Machinery Industry Co., Limited	The associate of the Company and a non-wholly owned subsidiary of Sanyang



17 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Recurring transactions

	Six months ended 30 June	
	2021 US\$	2020 US\$
Sales of finished goods and spare parts:		
The ultimate holding company	67,598	366,637
A fellow subsidiary	345,102	15,117
	412,700	381,754
Purchases of raw materials and finished goods:		
The ultimate holding company	3,304,727	1,517,086
Fellow subsidiaries	17,588,118	3,728,982
The associate	2,652,444	1,135,903
	23,545,289	6,381,971
Purchases of other property, plant and equipment:		
The ultimate holding company	44,330	–
The associate	165,045	51,908
	209,375	51,908
Technology transfer fees:		
The ultimate holding company	468,634	177,854
Repair service fee:		
The ultimate holding company	52,112	14,325
Fellow subsidiaries	–	1,430
The associate	1,291	–
	53,403	15,755



17 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Amounts due from related parties

	At 30 June 2021 US\$	At 31 December 2020 US\$
Trade		
The ultimate holding company	12,097	11,830
Fellow subsidiaries	63,993	8,475
The associate	82,432	82,956
	158,522	103,261
Non-trade		
The ultimate holding company	-	742
The associate	-	79,041
	-	79,783
Total	158,522	183,044

(c) Amounts due to related parties

	At 30 June 2021 US\$	At 31 December 2020 US\$
Trade		
The ultimate holding company	1,185,393	944,540
Fellow subsidiaries	4,032,139	1,135,575
The associate	857,910	559,913
	6,075,442	2,640,028
Non-trade		
The ultimate holding company	500,887	1,593,336
Total	6,576,329	4,233,364



18 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in Vietnam. Whilst the Group has put in place contingency measures to lower the impact to its business operations, some disruptions have been unavoidable. Subsequent to the reporting period, due to the tightened COVID-19 prevention measures declared in major cities in Vietnam, the Group suspended the operations of the Vietnam Nhon Trach Production Facility for a period of time ("temporary suspension"). Details of temporary suspension was disclosed in the Company's announcements dated 21 July 2021 and 2 August 2021.