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)

CAO ỐC TẠI TRUNG TÂM SÀI GÒN
Building in downtown Saigon

INTERIM REPORT 2015

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Wu Hsiung (Chairman)
Mr. Lu Tien Fu (Chief Executive Officer)
Ms. Wu Li Chu
Mr. Chou Ken Yuan
(resigned on 15 May 2015)
Mr. Chen Pang Hsiung
(resigned on 20 July 2015)
Mr. Yu Wen Lung
(resigned on 13 July 2015)

Non-executive Directors

Mr. Chang Yung Chieh
Mr. Chiu Ying Feng

Independent Non-executive Directors

Ms. Lin Ching Ching
Mr. Shen Hwa Rong
Ms. Wu Kwei Mei

AUDIT COMMITTEE

Ms. Lin Ching Ching
Mr. Shen Hwa Rong
Ms. Wu Kwei Mei

REMUNERATION COMMITTEE

Mr. Liu Wu Hsiung
Ms. Lin Ching Ching
Ms. Wu Kwei Mei

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Shing
Mr. Liu Wu Hsiung

COMPANY SECRETARY

Mr. Chan Chi Shing

AUDITORS

KPMG

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

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32 Lam Hing Street
Kowloon Bay, Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Royal Bank of
Canada Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited

STOCK CODE

422

WEBSITE AND CONTACT

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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 recovery remains on track, with gross domestic product (GDP) growth improving to 6.3% year-on-year in the first half of 2015 according to General Statistics Office of Vietnam. Inflation fell to 2.1% which remains well below the Vietnam's central bank's target of 5% for 2015. The central bank of Vietnam has devalued the currency twice so far this year, most recently in May 2015 to 21,780 Vietnamese Dong per US dollar, in an effort to boost sluggish exports. Vietnam's economy has been improving in the recent years with falling inflation, the current account balance has been in surplus, the parallel and interbank rates were well within the official exchange rate band, and international reserves rose above the level in the pre-global financial crisis periods.

Vietnam's retail and consumption service revenue growth rose only slightly compared to last year, businesses continue to face many difficulties. The growth of motorbike sales has further slowed down and units sold by foreign direct invest manufacturers have slowed down by 4% over the same period of previous year. The over-expansion of the foreign motorbike manufacturers in Vietnam continued and created competition with the Group during the period.

BUSINESS REVIEW

The Group sold an aggregate of approximately 29,900 units (which comprised of approximately 9,400 units of scooters and 20,500 units of cubs, respectively) in Vietnam for the six months ended 30 June 2015, representing a decrease of 15% over the corresponding period of previous year. The Group sold approximately 52,800 units of scooters and cubs to ASEAN countries, representing a decrease of 32% over the comparative period of previous year, in particular, there has been a sharp fall in sales in Malaysia as the Malaysian government imposed a 6% goods and services tax in the second quarter of 2015.

During the first half of 2015, the Group has 219 SYM-authorized stores owned by dealers to cover almost every province in Vietnam.

FINANCIAL REVIEW

Revenue decreased by 20% from US$88.4 million for the six months ended 30 June 2014 to US$70.5 million for the six months ended 30 June 2015, the Group's net loss for the six months ended 30 June 2015 improved by 27%, from a loss of US$5.2 million for the six months ended 30 June 2014 to a loss of US$3.8 million for the six months ended 30 June 2015.

REVENUE

The Group's revenue decreased by 20% or US$17.9 million, from US$88.4 million for the six months ended 30 June 2014 to US$70.5 million for the six months ended 30 June 2015, resulting from the decrease in the sales in Vietnam and ASEAN countries. The Group's overall sales quantities and sales quantities of scooters in Vietnam decreased by 15% and 28%, respectively for the six months ended 30 June 2015 as compared with the six months ended 30 June 2014, the decrease was due to a low level of economy and domestic spending in Vietnam during the period. The Group's sales quantities to ASEAN countries decreased by 32% for the six months ended 30 June 2015 as compared with the six months ended 30 June 2014. There has been a sharp fall in sales in Malaysia as the Malaysian government imposed a 6% goods and services tax in the second quarter of 2015. In terms of geographical contribution, approximately 58% of the Group's total sales were generated from the domestic market in Vietnam for the six months ended 30 June 2015. The principal scooter models include ATTILA-V, VENUS and ELIZABETH, PASSING and SHARK, and cub models of ELEGANT, GALAXY and ANGELA.

COST OF SALES

The Group's cost of sales decreased by 21%, from US$82.2 million for the six months ended 30 June 2014 to US$65.1 million for the six months ended 30 June 2015, resulting from the drop of sales in Vietnam and ASEAN countries. As a percentage of total revenue, the Group's cost of sales decreased from 93% for the six months ended 30 June 2014 to 92% for the six months ended 30 June 2015. Such decrease was primarily due to cost reduction arising from expanding procurement sources for materials and components, and effort to enhance cost effectiveness.

GROSS PROFIT AND GROSS PROFIT MARGIN

Owing to the drop of sales, the decrease of materials and components costs as discussed above, the gross profit of the Group decreased by 13%, from US$6.1 million for the six months ended 30 June 2014 to US$5.4 million for the six months ended 30 June 2015. As compared with the comparative period, the Group's gross profit margin has increased from 7% to 8%.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 24%, from US$5.6 million for the six months ended 30 June 2014 to US$4.3 million for the six months ended 30 June 2015. Such decrease was mainly attributed to rectification of existing distribution network, a decrease of sales incentives and supporting fees to distributors.

TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 23%, from US$2.1 million for the six months ended 30 June 2014 to US$1.6 million for the six months ended 30 June 2015, resulting from a decrease in the sales of SYM-branded motorbikes in Vietnam and ASEAN countries.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 23%, from US$6.4 million for the six months ended 30 June 2014 to US$4.9 million for the six months ended 30 June 2015, accounting for 7% of the Group's total revenue for the six months ended 30 June 2015. The decrease was principally due to the decrease of research and development expenses, and efforts to boost operation efficiency and strengthen cost control.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities improved by 31%, from a loss of US$7.8 million for the six months ended 30 June 2014 to a loss of US$5.3 million for the six months ended 30 June 2015.

NET FINANCE INCOME

The Group's net finance income decreased by 38%, from US$2.6 million for the six months ended 30 June 2014 to US$1.6 million for the six months ended 30 June 2015. Such decrease was mainly attributable to a decrease in interest income by US$0.2 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 2014 increased from US$0.1 million to US$0.6 million for the six months ended 30 June 2015.

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 2015 improved by 27% or US$1.4 million, from a loss of US$5.2 million of 2014 to a loss of US$3.8 million of 2015. The Group's net loss margin improved from 5.9% for the six months ended 30 June 2014 to 5.4% for the six months ended 30 June 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's net current assets amounted to US$116.2 million (31 December 2014: US$119.1 million) which consisted of current assets amounting to US$169.0 million (31 December 2014: US$181.8 million) and current liabilities amounting to US$52.8 million (31 December 2014: US$62.7 million).

As at 30 June 2015, the Group had bank loans repayable within one year of US$35.2 million, including US$27.0 million denominated in US$ and US$8.2 million denominated in Vietnamese Dong (31 December 2014: US$37.3 million, including US$28.4 million denominated in US$ and US$8.9 million denominated in Vietnamese Dong). As at 30 June 2015, the Group had no bank loans repayable beyond one year (31 December 2014: Nil). As at 30 June 2015, the gearing ratio was 25% (31 December 2014: 25%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2015, the cash and bank balances (including bank deposits) amounted to US$112.8 million, including US$63.8 million denominated in Vietnamese Dong, US$32.5 million denominated in US$, US$16.4 million denominated in RMB and US$0.1 million denominated in NT$ and HK$ (31 December 2014: US$118.2 million, which mainly included US$72.5 million denominated in Vietnamese Dong, US$28.2 million denominated in US$, US$17.1 million denominated in RMB and US$0.4 million denominated in NT$ and HK$). As at 30 June 2015, the bank deposits amounted to US$11.0 million were pledged to secure bank loans (31 December 2014: US$8.5 million).

The Board is of the opinion that the Group is in a healthy financial position and has sufficient resources to satisfy its working capital requirements and foreseeable capital expenditure.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2015, the capital commitments of the Group in respect of relocation and construction of a new factory in Hanoi amounted to US$16.2 million (31 December 2014: US$16.5 million), which will all be settled by cash generated from the Group's operations. The Group had no contingent liabilities as at 30 June 2015.

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 quarters, training and development opportunities, medical benefits, insurance plan and retirement benefits. As at 30 June 2015, the Group had 1,647 employees (30 June 2014: 1,883). The total amount of salaries and related costs for the employees for the six months ended 30 June 2015 amounted to US$5.4 million (six months ended 30 June 2014: US$5.9 million).

CHANGES SINCE 31 DECEMBER 2014

Save as disclosed in this interim report, since 31 December 2014, 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 2014.

PROSPECTS

The Vietnamese economy has been stabilized with full-year growth target to pick up to 6.4% this year, driven by stronger domestic demand. It is expected that the forthcoming period will continue to be a challenge for many businesses due to slow economic growth and low consumption expenditures. It is also expected that the operating environment for the motorbike sector in Vietnam remains challenging and fierce competitions will continue during the forthcoming period.

In the second half of this year, the Group plans to launch several new and modified motorbike models in Vietnam to raise product prices and profitability, which include the scooters of ATTILA-VENUS and ELIZABETH targeted for female customers and other models with larger engine capacity and cub models targeting male and young customers.

The Group strived to improve its operational efficiency and implemented cost control in order to minimise the negative impacts arising from the decrease of consumer spending in Vietnam. The Group will further reinforce marketing incentives schemes and to expand its distribution network in Vietnam. The Group will further reinforce the uprising markets in ASEAN countries, particularly Malaysia and the Philippines. The Group plans to actively engage in marketing and promotional activities, continue to launch more high-value motorbike models in order to expand and also boost sales margins of the exporting business. The Group maintains a positive attitude towards market growth in the second half of 2015 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 initial public offering of the Company in December 2007, net of related listing expenses, amounted to US$76.7 million. As at 30 June 2015, such net proceeds were utilized in the following manner:

	As disclosed in the prospectus *US$' million*	**Amount utilized** *US$' million*	**Balances as at 30 June 2015** *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".

ADDITIONAL INFORMATION

SHARE OPTION SCHEMES

Pursuant to the written resolutions of the shareholders of the Company passed on 24 November 2007, the Board, at its discretion, may grant share options to any directors, executives, employees and any other persons who have contributed or will contribute to the Group.

The Board has not granted any share options under the share option scheme during the six months ended 30 June 2015 and no share options was outstanding as at 30 June 2015.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2015, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the"Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interest and short position in the shares, underlying shares and debentures of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares of the Company	Interests in underlying shares of the Company pursuant to share options	Approximate percentage of the Company's total issued share capital
Mr. Yu Wen Lung *(Note 1)*	Beneficial owner	Personal	50,000	–	0.006%

Note:

(1) Mr. Yu Wen Lung resigned on 13 July 2015.

Save as disclosed above, as at 30 June 2015, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the six months ended 30 June 2015 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 to acquire such benefits through such means.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As far as the directors of the Company are aware, as at 30 June 2015, the following persons (who were not directors or chief executives of the Company) had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number and class of securities	Approximate percentage of interest in the Company
SY International Ltd ("SYI") *(Note 1)*	Corporate interest	608,318,000 Shares	67.02%
Sanyang Motor Co., Ltd. (formerly known as Sanyang Industry Co., Ltd.) ("Sanyang") *(Note 1)*	Interest in a controlled corporation	608,318,000 Shares	67.02%

Note:

(1) SYI is a direct wholly-owned subsidiary of Sanyang and therefore Sanyang is deemed to be interested in the shares of the Company held by SYI for the purposes of the SFO.

Save as disclosed above, as far as the directors of the Company were aware, as at 30 June 2015, the Company had not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2015, the Group had no material acquisition or disposal of subsidiaries and associated companies. As at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code (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 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 2015.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Board, as at the latest practicable date prior to the issue of this interim 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 interim report, there were no other material events after the reporting period as at the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The unaudited interim results for the six months ended 30 June 2015 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 2015 (2014: 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 contributions to the success of the Group.

By order of the Board
Vietnam Manufacturing and Export Processing (Holdings) Limited
Liu Wu Hsiung
Chairman

Hong Kong, 11 August 2015

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 13 to 28 which comprises the consolidated statement of financial position of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") as of 30 June 2015 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 2015 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 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 – unaudited
(Expressed in United Stated dollars)

	Note	Six months ended 30 June **2015** ***US$***	 2014 *US$*
Revenue	*4*	**70,511,903**	88,359,894
Cost of sales		**(65,149,945)**	(82,223,295)
Gross profit		**5,361,958**	6,136,599
Other income		**162,358**	208,837
Distribution costs		**(4,285,072)**	(5,641,839)
Technology transfer fees	*18(a)*	**(1,612,434)**	(2,102,608)
Administrative expenses		**(4,886,427)**	(6,365,349)
Other operating expenses		**(69,390)**	(8,619)
Results from operating activities		**(5,329,007)**	(7,772,979)
Finance income		**2,758,456**	2,992,742
Finance costs		**(1,177,196)**	(439,675)
Net finance income	*6(a)*	**1,581,260**	2,553,067
Share of profit of an associate, net of tax		**34,522**	39,042
Loss before taxation	*6*	**(3,713,225)**	(5,180,870)
Income tax	*7*	**(87,670)**	(21,867)
Loss for the period		**(3,800,895)**	(5,202,737)
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		**(1,807,510)**	(801,146)
Total comprehensive income for the period attributable to equity shareholders of the Company		**(5,608,405)**	(6,003,883)
Loss per share	*8*		
– Basic and diluted		**(0.004)**	(0.006)

The notes on pages 17 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – Unaudited
(Expressed in United Stated dollars)

	Note	At 30 June 2015 US$	At 31 December 2014 US$
Non-current assets			
Property, plant and equipment	9	**20,610,682**	22,933,355
Intangible assets		**145,352**	215,493
Lease prepayments	10	**5,375,810**	5,614,457
Interest in an associate		**663,349**	641,654
Deferred tax assets		**853,603**	909,691
		27,648,796	30,314,650
Current assets			
Inventories	11	**25,581,898**	30,093,845
Trade receivables, other receivables and prepayments	12	**30,607,422**	33,559,317
Time deposits maturing after three months	13	**95,454,506**	102,170,248
Cash and cash equivalents		**17,305,060**	15,985,869
		168,948,886	181,809,279
Current liabilities			
Trade and other payables	14	**16,364,597**	23,970,608
Bank loans	15	**35,233,168**	37,339,313
Current tax payable		**17,964**	65,198
Provisions		**1,173,010**	1,307,458
		52,788,739	62,682,577
Net current assets		**116,160,147**	119,126,702
Total assets less current liabilities		**143,808,943**	149,441,352
Non-current liabilities			
Deferred tax liabilities		**27,176**	51,180
Net assets		**143,781,767**	149,390,172
Capital and reserves			
Share capital		**1,162,872**	1,162,872
Reserves		**142,618,895**	148,227,300
Total equity		**143,781,767**	149,390,172

Approved and authorised for issue by the Board of Directors on 11 August 2015.

Director *Director*

Liu Wu Hsiung **Lu Tien Fu**

The notes on pages 17 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 – Unaudited
(Expressed in United Stated dollars)

	Attributable to equity shareholders of the Company						
	Share capital US$	Share premium US$	Capital reserve US$	Exchange reserves US$	Statutory reserves US$	Retained profits US$	Total US$
Balance at 1 January 2014	1,162,872	112,198,709	1,962,666	(26,837,870)	99,824	72,482,104	161,068,305
Changes in equity for the six months ended 30 June 2014:							
Loss for the period	–	–	–	–	–	(5,202,737)	(5,202,737)
Other comprehensive income	–	–	–	(801,146)	–	–	(801,146)
Total comprehensive income	–	–	–	(801,146)	–	(5,202,737)	(6,003,883)
Appropriation to reserves	–	–	–	–	54,909	(54,909)	–
Balance at 30 June 2014	1,162,872	112,198,709	1,962,666	(27,639,016)	154,733	67,224,458	155,064,422
Balance at 1 January 2015	1,162,872	112,198,709	1,962,666	(28,133,866)	154,253	62,045,538	149,390,172
Changes in equity for the six months ended 30 June 2015:							
Loss for the period	–	–	–	–	–	(3,800,895)	(3,800,895)
Other comprehensive income	–	–	–	(1,807,510)	–	–	(1,807,510)
Total comprehensive income	–	–	–	(1,807,510)	–	(3,800,895)	(5,608,405)
Appropriation to reserves	–	–	–	–	48,603	(48,603)	–
Balance at 30 June 2015	1,162,872	112,198,709	1,962,666	(29,941,376)	202,856	58,196,040	143,781,767

The notes on pages 17 to 28 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015 – Unaudited
(Expressed in United Stated dollars)

	Six months ended 30 June	
	2015	2014
	US$	*US$*
Cash used in operations	**(6,083,449)**	(10,206,954)
Tax paid	**(112,570)**	(102,999)
Net cash used in operating activities	**(6,196,019)**	(10,309,953)
Investing activities		
Decrease/(increase) in time deposits maturing after three months	**6,715,742**	(2,401,878)
Payment for purchase of property, plant and equipment	**(544,649)**	(1,564,201)
Interest received	**3,411,094**	3,272,054
Other cash flows from investing activities	**6,415**	43,917
Net cash generated from/(used in) investing activities	**9,588,602**	(650,108)
Financing activities		
Proceeds from borrowings	**43,237,331**	50,041,108
Repayment of borrowings	**(44,641,878)**	(42,757,420)
Interest paid	**(594,259)**	(619,210)
Net cash (used in)/generated from financing activities	**(1,998,806)**	6,664,478
Net increase/(decrease) in cash and cash equivalents	**1,393,777**	(4,295,583)
Cash and cash equivalents at 1 January	**15,985,869**	22,741,624
Effect of foreign exchange rate changes	**(74,586)**	(161,188)
Cash and cash equivalents at 30 June	**17,305,060**	18,284,853

The notes on pages 17 to 28 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United Stated 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 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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.

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 2014 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 review report to the Board of Directors is included on page 12.

2 BASIS OF PREPARATION (Continued)

The financial information relating to the financial year ended 31 December 2014 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 16 March 2015.

3 CHANGES IN ACCOUNTING POLICIES

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

- *Annual improvements to IFRSs 2010-2012 Cycle*
- *Annual improvements to IFRSs 2011-2013 Cycle*

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

4 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 2015			
	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	57,256,199	13,198,881	56,823	70,511,903
Inter-segment revenue	–	21,734,251	480,217	22,214,468
Reportable segment revenue	**57,256,199**	**34,933,132**	**537,040**	**92,726,371**
Reportable segment loss (adjusted EBIT)	**(3,598,285)**	**(718,899)**	**(9,273)**	**(4,326,457)**
Reportable segment assets	**50,831,952**	**29,042,263**	**2,511,722**	**82,385,937**
Reportable segment liabilities	**9,436,814**	**6,420,141**	**91,563**	**15,948,518**

4 SEGMENT REPORTING (Continued)

(a) Information about profit or loss, assets and liabilities (Continued)

	Six months ended 30 June 2014			
	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	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

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	
	2015 ***US$***	2014 *US$*
Reportable segment loss	**(4,326,457)**	(6,654,437)
Elimination of inter-segment profits	**–**	(159,086)
Reportable segment loss derived from Group's external customers	**(4,326,457)**	(6,813,523)
Net finance income	**1,581,260**	2,553,067
Share of profit of an associate	**34,522**	39,042
Unallocated corporate expenses	**(1,002,550)**	(959,456)
Consolidated loss before taxation	**(3,713,225)**	(5,180,870)

5 SEASONALITY OF OPERATIONS

The Group on average experiences 20-30% higher sales in December and January, compared to other months in a year, due to the increased demand for its products during the Calendar New Year and Lunar New Year period. The Group anticipates this demand by increasing its production to build up inventories during the third quarter of the year.

6 LOSS BEFORE TAXATION

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

(a) Net finance income

	Six months ended 30 June	
	2015	2014
	US$	*US$*
Interest income from banks	**2,758,456**	2,992,742
Finance income	**2,758,456**	2,992,742
Interest paid and payable to banks	**(594,259)**	(358,429)
Net foreign exchange loss	**(582,937)**	(81,246)
Finance costs	**(1,177,196)**	(439,675)
	1,581,260	2,553,067

(b) Staff costs

	2015	2014
Salaries and wages	**4,147,582**	4,430,271
Staff welfare	**747,687**	904,522
Contributions to defined contribution retirement plans	**479,834**	503,356
Severance pay allowance	**–**	17,509
	5,375,103	5,855,658

(c) Other items

	2015	2014
Amortisation of lease prepayments/intangible assets	**198,977**	296,328
Depreciation of property, plant and equipment	**2,424,777**	3,209,618
Write-down of inventory *(Note 11)*	**200,056**	121,408
Research and development expenses	**2,476,500**	3,735,790

7 INCOME TAX

	Six months ended 30 June	
	2015	2014
	US$	*US$*
Current tax		
Provision for the period	**67,579**	69,967
Over-provision in respect of prior periods	**(2,243)**	(2,200)
	65,336	67,767
Deferred tax		
Origination and reversal of temporary differences	**22,334**	(45,900)
	87,670	21,867

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 2015.

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. ("Chin Zong") 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.

8 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$3,800,895 (six months ended 30 June 2014: US$5,202,737) and 907,680,000 ordinary shares (2014: 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 2015 and 2014 as there were no dilutive potential ordinary shares during the six months ended 30 June 2015 and 2014.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of US$544,649 (six months ended 30 June 2014: US$1,564,201).

10 LEASE PREPAYMENTS

During the six months ended 30 June 2015, the Group has not acquired any items of lease prepayments (six months ended 30 June 2014: US$5,971).

11 INVENTORIES

During six months ended 30 June 2015, US$200,056 (2014: US$121,408) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of a write-down of 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.

12 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2015	At 31 December 2014
	US$	*US$*
Trade receivables	**9,856,965**	14,519,766
Non-trade receivables	**17,647,186**	16,180,287
Prepayments	**2,891,111**	2,525,956
Amounts due from related parties (non-trade)	**212,160**	333,308
	30,607,422	33,559,317

12 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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

	At 30 June 2015 *US$*	At 31 December 2014 *US$*
Within 3 months	**9,856,965**	14,244,400
More than 3 months but within 1 year	**–**	272,283
More than 1 year	**–**	3,083
Trade receivables, net of allowance for doubtful debts	**9,856,965**	14,519,766
Represented by:		
External parties	**9,280,864**	13,560,182
Related parties	**576,101**	959,584
	9,856,965	14,519,766

The Group's exposure to credit risk is low as the Group generally offers no credit terms to domestic customers. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

Non-trade receivables mainly represented VAT recoverable of US$11,891,168 (31 December 2014: US$9,175,643) and interest receivable of US$2,564,300 (31 December 2014: US$3,215,938).

13 TIME DEPOSITS MATURING AFTER THREE MONTHS

	At 30 June 2015 *US$*	At 31 December 2014 *US$*
Denominated in VN$	**58,532,251**	65,582,864
Denominated in US$	**20,500,000**	20,500,000
Denominated in RMB	**16,422,255**	16,087,384
	95,454,506	102,170,248

13 TIME DEPOSITS MATURING AFTER THREE MONTHS (Continued)

The effective interest rates per annum relating to time deposits maturing after three months are as follows:

	At 30 June 2015	At 31 December 2014
Effective interest rate – VN$	**6% to 7.5%**	6.3% to 8.1%
Effective interest rate – US$	**1.24% to 1.6%**	1.24% to 1.6%
Effective interest rate – RMB	**3% to 3.2%**	3% to 3.2%

As at 30 June 2015, certain of the Group's time deposits with an aggregate value of US$10,969,950 (31 December 2014: US$8,453,432) were pledged to secure bank loans (see Note 15).

14 TRADE AND OTHER PAYABLES

	At 30 June 2015 ***US$***	At 31 December 2014 *US$*
Trade payables	**9,350,563**	13,671,888
Other payables and accrued operating expenses	**4,856,773**	6,985,286
Advances from customers	**601,791**	1,085,283
Amounts due to related parties (non-trade)	**1,555,470**	2,228,151
	16,364,597	23,970,608

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 2015 ***US$***	At 31 December 2014 *US$*
Within 3 months	**9,279,985**	13,617,625
More than 3 months but within 1 year	**57,442**	54,263
More than 1 year	**13,136**	–
	9,350,563	13,671,888
Represented by:		
External parties	**7,183,398**	10,793,326
Related parties	**2,167,165**	2,878,562
	9,350,563	13,671,888

15 BANK LOANS

As of the end of the reporting period, the bank loans were analysed as follows:

	At 30 June 2015 *US$*	At 31 December 2014 *US$*
Secured	**10,969,950**	26,738,065
Unsecured	**24,263,218**	10,601,248
	35,233,168	37,339,313

All of the bank loans are expected to be repayable within one year. As of the end of the reporting period, the bank loans of the Group were secured by certain time deposits of the Group (see Note 13).

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All of the Group's financial instruments were carried at cost or amortised cost as at 31 December 2014 and 30 June 2015 and their carrying amounts are not materially different from their fair values.

17 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding not provided for in the interim financial report:

	At 30 June 2015 *US$*	At 31 December 2014 *US$*
Contracted for	**402,064**	409,970
Authorised but not contracted for	**15,827,816**	16,139,037
	16,229,880	16,549,007

On 25 January 2011, the Company's Board of Directors resolved to relocate one of the Group's factories in Ha Tay province to a new location, as the Group has been informed that the Vietnam government intends to redevelop Ha Tay province. Due to the current unfavorable business environment, the relocation plan has been postponed. The capital commitment authorised but not contracted for as at the end of the reporting period in respect of this relocation and construction of the new factory is US$16 million. The authorised amount is an initial estimate and will be subject to regular review by the Company's Board of Directors.

17 COMMITMENTS (Continued)

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2015 US$	At 31 December 2014 US$
Within 1 year	**215,854**	403,678
After 1 year but within 5 years	**858,797**	1,614,711
After 5 years	**2,608,100**	4,859,216
	3,682,751	6,877,605

The leases typically run for an initial period of one to ten years, except for a lease of land and factories which is for fifty years.

18 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2015, transactions with the following parties are considered as material related party transactions:

Name of party	Relationship
Sanyang Motor Co., Ltd. ("Sanyang") (formerly known as Sanyang Industry Co., Ltd)	The ultimate holding company
Qingzhou Engineering Industry Co., Ltd.	A subsidiary of Sanyang
Sanyang Global Co., Ltd.	A subsidiary of Sanyang
Sanyang Motor Co., Ltd. Vietnam	A subsidiary of Sanyang
Xia Shing Xiamen Motorcycle Co., Ltd.	A subsidiary of Sanyang
Hanoi Full Ta Precision Company Limited	An associate of Sanyang
Vietnam Three Brothers Machinery Industry Co., Limited	The associate of the Company and a non-wholly owned subsidiary of Sanyang

18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions

	Six months ended 30 June	
	2015	2014
	US$	US$
Sales of finished goods and spare parts:		
Sanyang Motor Co., Ltd.	**256,670**	306,230
Sanyang Motor Co., Ltd Vietnam	**–**	1,774
	256,670	308,004
Purchases of raw materials and finished goods:		
Sanyang Motor Co., Ltd.	**5,794,999**	6,608,775
Qingzhou Engineering Industry Co., Ltd.	**61,991**	76,798
Sanyang Global Co., Ltd.	**2,326,850**	3,771,791
Xia Shing Xiamen Motorcycle Co., Ltd.	**294,814**	320,276
Hanoi Full Ta Precision Company Limited	**–**	455,939
Vietnam Three Brothers Machinery Industry Co., Limited	**1,459,416**	1,499,535
	9,938,070	12,733,114
Purchases of property, plant and equipment:		
Sanyang Motor Co., Ltd.	**39,597**	622,108
Vietnam Three Brothers Machinery Industry Co., Limited	**–**	12,012
	39,597	634,120
Technology transfer fees:		
Sanyang Motor Co., Ltd.	**1,612,434**	2,102,608
Technical consultancy fee:		
Sanyang Motor Co., Ltd.	**732,250**	1,328,840

18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Amounts due from related parties

	At 30 June 2015 US$	At 31 December 2014 US$
Trade		
Sanyang Motor Co., Ltd.	**34,444**	99,903
Sanyang Global Co., Ltd.	**541,657**	859,471
Xia Shing Xiamen Motorcycle Co., Ltd.	**–**	210
Sub-total	**576,101**	959,584
Non-trade		
Sanyang Motor Co., Ltd.	**8,131**	125,268
Vietnam Three Brothers Machinery Industry Co., Limited	**204,029**	208,040
Sub-total	**212,160**	333,308
Total	**788,261**	1,292,892

(c) Amounts due to related parties

	At 30 June 2015 US$	At 31 December 2014 US$
Trade		
Sanyang Motor Co., Ltd.	**1,043,381**	1,202,630
Qingzhou Engineering Industry Co., Ltd.	**5,033**	30,176
Sanyang Global Co., Ltd.	**854,506**	1,271,692
Xia Shing Xiamen Motorcycle Co., Ltd.	**60,936**	–
Vietnam Three Brothers Machinery Industry Co., Limited	**203,309**	374,064
Sub-total	**2,167,165**	2,878,562
Non-trade		
Sanyang Motor Co., Ltd.	**1,555,470**	2,228,151
Sub-total	**1,555,470**	2,228,151
Total	**3,722,635**	5,106,713