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)

INTERIM REPORT 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Wu Hsiung (Chairman)
Mr. Lin Chih Ming (Chief Executive Officer)
(appointed on 13 August 2018)
Mr. Lin Chun Yu
Mr. Chiang Chin Yung
(appointed on 13 August 2018)
Mr. Lu Tien Fu
(resigned on 31 May 2018)

Non-executive Directors

Ms. Wu Li Chu
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 (Chairman)
Mr. Shen Hwa Rong
Ms. Wu Kwei Mei

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

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, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

SMP Partners (Cayman) Limited
Royal Bank House, 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
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

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. Its manufacturing and assembly operations are located in Dong Nai Province (near Ho Chi Minh City) and Hanoi of Vietnam with an annual production capacity of 200,000 motorbikes. The Group's motorbikes are sold under the SYM brand name and offering a wide range of models. It also produces motorbike engines and parts for internal use and export as well as selling and providing services associated with moulds to make die-cast and forged metal parts.

OPERATING ENVIRONMENT

According to the report of the General Statistics Office of Vietnam, Vietnam's gross domestic product (GDP) grew by 7.08% in the first half of 2018, higher than that of 6.17% for the same period last year. The inflation rate was under control and the macroeconomic remained stable.

In the first half of 2018, according to the statistics of The Vietnam Association of Motorcycle Manufacturers, the five largest foreign direct investment manufacturers in Vietnam sold more than 1.57 million units of motorbikes in total, demonstrating the continuous expansion of foreign investment manufacturers in Vietnam, which led the Group to an intensive competition during this year.

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group sold about 25,600 units of motorbikes (including about 2,600 units of scooters, 21,100 units of cubs and 1,900 units of electric motorbikes, respectively) in Vietnam, representing an increase of 10% as compared with the same period last year. It was mainly because that the Group pushed forward the launch of five new or modified motorbike models, including one scooter model namely Abela 110, which targets metropolitan female market, and four cub models namely Elegant 50, Angela 50, Galaxy 50 and Star SR 125, which provide a more diversified product offerings to students and youngsters in the first half of 2018. Besides, in response to the global trend of protecting the environment by energy saving and carbon reduction, the Group took the lead ahead of other Vietnamese motorbike manufacturers and launched two models of electric motorbikes namely EV Elite and SYM Z1 in 2017. They have become widely recognised by the market and showed improving sales. The Group exported about 36,900 units of motorbikes to ASEAN countries, representing a decrease of 1% as compared with the same period last year. It was mainly attributable to the slight impact on sales as a result of the import of low-priced motorbikes from China to Malaysia, a major market for the Group. The Group will accelerate its product research and development as well as manufacturing activities. In the first half of 2018, the Group launched new and modified cubs respectively in the high-end and mid to low-end ASEAN markets to meet diverse customer demands. The Group will continue to launch affordable and new quality products to solidify its position in ASEAN markets.

During the first half of 2018, the Group has 203 SYM-authorised stores owned by dealers to cover almost every province in Vietnam.

FINANCIAL REVIEW

The Group's revenue decreased by 3% from US$45.9 million for the six months ended 30 June 2017 to US$44.5 million for the six months ended 30 June 2018. The Group's net loss for the six months ended 30 June 2018 increased by US$3.2 million, from a net loss of US$2.4 million for the six months ended 30 June 2017 to a net loss of US$5.6 million for the six months ended 30 June 2018.

REVENUE

The Group's revenue for the six months ended 30 June 2018 was US$44.5 million, representing a decrease of US$1.4 million or 3% as compared with US$45.9 million for the six months ended 30 June 2017. The decrease was attributable to the competition from Japanese manufacturers, the Group's major competitors, who aggressively seized market share of domestic sales of motorbike in Vietnam by adopting a price-cutting strategy in the first half of 2018. Such competition posed a significant pressure on the Group. In the aspect of export, it was mainly due to the decline in the Group's sales volume in ASEAN countries which were the Group's major revenue driver. As compared with the same period last year, the Group's sales volume in ASEAN countries decreased by 1%.

The principal scooter models include ABELA, 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 8%, from US$41.7 million for the six months ended 30 June 2017 to US$45.1 million for the six months ended 30 June 2018. The increase was mainly attributable to increasing pressure on costs of labour, raw materials and components and assemblies, which constitute components of cost of sales. Furthermore, in order to adapt to the current consumption trend in the market, the Group launched electric motorbikes that need more sophisticated imported components, adding pressure on overall costs. As a percentage of total revenue, the Group's cost of sales increased from 91% for the six months ended 30 June 2017 to 101% for the six months ended 30 June 2018. The Group strived to decrease the production cost per unit by developing new sourcing channels and reselecting suppliers.

GROSS (LOSS)/PROFIT AND GROSS (LOSS)/PROFIT MARGIN

During the six months ended 30 June 2018, the Group recorded a gross loss and gross loss margin of approximately US$0.6 million and 1% respectively (six months ended 30 June 2017: gross profit and gross profit margin of approximately US$4.2 million and 9% respectively). It was mainly due to the decline in sales from the major sources of profit, the continued increasing cost pressure and the keen competition in the business environment, each branded manufacturers lowered their product prices which resulted in a drop of average selling price of products as discussed above.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 15%, from US$3.3 million for the six months ended 30 June 2017 to US$2.8 million for the six months ended 30 June 2018. Such decrease was mainly attributed to rectification of existing distribution network, a decrease of sales incentives and supporting fees to distributors.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 10%, from US$3.9 million for the six months ended 30 June 2017 to US$4.3 million for the six months ended 30 June 2018. The expenses accounted for 10% of the Group's total revenue for the six months ended 30 June 2018. The increase was principally due to the increase of research and development expenses, in the first half of 2018, the Group strived to develop new products satisfying the customer's needs.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities worsened by US$4.1 million, from a loss of US$4.1 million for the six months ended 30 June 2017 to a loss of US$8.2 million for the six months ended 30 June 2018.

NET FINANCE INCOME

The Group's net finance income increased by 19%, from US$1.6 million for the six months ended 30 June 2017 to US$1.9 million for the six months ended 30 June 2018. Such increase was mainly attributable to an increase in interest income by US$0.1 million, a decrease in finance cost by US$0.2 million and an increase in foreign exchange gain of US$0.2 million arising from fluctuation of the Vietnamese Dong against the US dollar for the period.

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 2018 increased by US$3.2 million, from a loss of US$2.4 million for the six months ended 30 June 2017 to a loss of US$5.6 million for the six months ended 30 June 2018. The Group's net loss margin worsened from 5% for the six months ended 30 June 2017 to 13% for the six months ended 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's net current assets amounted to US$100.4 million (31 December 2017: US$105.1 million) which consisted of current assets amounting to US$146.3 million (31 December 2017: US$141.0 million) and current liabilities amounting to US$45.8 million (31 December 2017: US$35.9 million).

As at 30 June 2018, the Group had bank loans repayable within one year of US$25.3 million, including US$20.8 million denominated in US dollar and US$4.5 million denominated in Vietnamese Dong (31 December 2017: US$23.3 million, including US$17.5 million denominated in US$ and US$5.8 million denominated in Vietnamese Dong). As at 30 June 2018, the Group had no interest-bearing bank loans repayable beyond one year (31 December 2017: Nil). As at 30 June 2018, the gearing ratio was 21% (31 December 2017: 19%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2018, the cash and bank balances (including bank deposits) amounted to US$96.3 million, including US$56.1 million denominated in Vietnamese Dong and US$40.2 million denominated in US dollar (31 December 2017: US$102.2 million, which mainly included US$61.1 million denominated in Vietnamese Dong and US$41.1 million denominated in US$).

The board of directors of the Company (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 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 2018, the Group had 1,680 employees (30 June 2017: 1,573). The total amount of salaries and related costs for the employees for the six months ended 30 June 2018 amounted to approximately US$6.2 million (six months ended 30 June 2017: US$5.7 million).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL

On 26 March 2018, the Company entered into a Sale and Purchase Agreement with SY International Ltd. ("SYI"), a direct controlling shareholder of the Company, pursuant to which the Company has conditionally agreed to purchase and SYI has conditionally agreed to sell the capital contribution in Sanyang Motor Vietnam Company Limited, a limited liability company incorporated in Vietnam (the "Acquisition") at a total consideration of US$2,700,000. An extraordinary general meeting was convened on 26 June 2018 and the Acquisition was approved by the independent shareholders of the Company in such meeting. The Acquisition is expected to be completed by September 2018.

Save as disclosed in this report, there was no material acquisition of subsidiaries and associated companies by the Company as at the date of this report.

CHANGES SINCE 31 DECEMBER 2017

Save as disclosed in this report, since 31 December 2017, 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 2017.

PROSPECTS

During the first half of 2018, the Vietnamese economy grew steadily and experienced a mild inflation, while its business environment remained relatively stable. Under the environment where export and investment are on the rise, in the second half of 2018, the Vietnamese government will take active steps to adjust its monetary policy in a flexible way, and implement various measures to stimulate domestic demand, with an aim to reach its target annual economic growth rate of between 6.5% and 6.7%.

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 2018, the Group plans to roll out a number of new or modified motorbike models in the Vietnamese and ASEAN market so as to achieve product diversification and greater profitability, and offer consumers with environmentally-friendly and convenient products at reasonable prices. As for promotion and place of marketing, the Group will open flagship stores in four major cities in Vietnam and execute holistic sales strategies to promote its brand image. The Group will also improve its "distributor licensing system" and 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 markets, the Group will step up further to engage in marketing and promotional activities, and to provide better after-sales services overseas. The Group will launch more new motorbike models to boost and stimulate the sales volume of export.

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. As at 30 June 2018, such net proceeds were utilised in the following manner:

	Per Prospectus	**Amount utilised**	**Balances as at 30 June 2018**
	US$' million	*US$' million*	*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	17.9	28.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	38.0	38.7

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 AND THEIR INFORMATION

Mr. Lin Chih Ming and Mr. Chiang Chin Yung have been appointed as executive directors of the Company with effect from 13 August 2018.

Mr. Lin Chih Ming 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 1 June 2018.

Mr. Lu Tien Fu resigned as an executive director and the chief executive officer of the Company with effect from 31 May 2018.

Save as disclosed above, no information relating to the directors 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 2017 annual report.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company passed on 24 November 2007 for approving the share option scheme, 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 2018 and no share options was outstanding as at 30 June 2018. The share option scheme expired on 23 November 2017 and no further options could be granted under the share option scheme therefor.

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 2018, 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 Sanyang Motor Company Limited

Name of directors	Types of shares	Capacity	Number of shares held (shares)	Approximate percentage of total share capital[1] (%)
Mr. Liu Wu Hsiung	Ordinary Shares	Beneficial owner	111,380 (L)	0.01%
Mr. Lin Chih Ming	Ordinary Shares	Beneficial owner	26,793 (L)	0.00%
Ms. Wu Li Chu	Ordinary Shares	Beneficial owner	17,046,560 (L)	2.00%
Mr. Chiu Ying Feng	Ordinary Shares	Beneficial owner	18,412 (L)	0.00%

(L) – Long position

Note:

1. The calculation is based on the total number of 853,595,604 shares of Sanyang Motor Company Limited in issue as of 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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 2018, 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. SYI 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 SYI International Ltd. under Part XV of the SFO.

Save as disclosed above, as at 30 June 2018, 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 2018 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 2018, 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 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 2018.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Board, as at the date of this report, the Company has maintained the prescribed public float of no less than 25% under the Listing Rules.

EVENT AFTER THE REPORT DATE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, 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 2018 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 2018 (2017: 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, 13 August 2018

KPMG

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 15 to 34 which comprises the consolidated statement of financial position of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") as of 30 June 2018 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 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting.*

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

13 August 2018

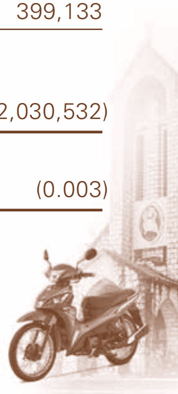
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 - unaudited

(Expressed in United States dollars)

		Six months ended 30 June	
	Note	**2018** *US$*	2017 *US$*
Revenue	*4*	**44,540,908**	45,884,241
Cost of sales		**(45,092,373)**	(41,727,739)
Gross (loss)/profit		**(551,465)**	4,156,502
Other income		**156,768**	56,388
Distribution costs		**(2,848,486)**	(3,313,804)
Technology transfer fees		**(598,128)**	(1,056,239)
Administrative expenses		**(4,341,510)**	(3,873,066)
Other operating expenses		**(16,333)**	(25,735)
Results from operating activities		**(8,199,154)**	(4,055,954)
Finance income		**2,121,698**	1,972,876
Finance costs		**(191,521)**	(384,442)
Net finance income	*5(a)*	**1,930,177**	1,588,434
Share of (loss)/profit of an associate		**(4,707)**	33,613
Loss before taxation	*5*	**(6,273,684)**	(2,433,907)
Income tax	*6*	**689,363**	4,242
Loss for the period attributable to equity shareholders of the Company		**(5,584,321)**	(2,429,665)
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		**(973,257)**	399,133
Total comprehensive income for the period attributable to equity shareholders of the Company		**(6,557,578)**	(2,030,532)
Loss per share			
– Basic and diluted	*7*	**(0.006)**	(0.003)

The notes on pages 19 to 34 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 - unaudited

(Expressed in United States dollars)

	Note	**At 30 June 2018 *US$***	At 31 December 2017 *US$*
Non-current assets			
Property, plant and equipment	*9*	**11,677,368**	14,095,943
Intangible assets		**3,348**	9,011
Lease prepayments		**4,584,024**	4,732,658
Interest in an associate		**533,610**	544,336
Deferred tax assets		**1,994,678**	1,322,531
		18,793,028	20,704,479
Current assets			
Inventories	*10*	**25,311,380**	18,958,820
Trade receivables, other receivables and prepayments	*11*	**24,576,420**	19,828,211
Time deposits maturing after three months		**66,809,118**	88,805,816
Cash and cash equivalents	*12*	**29,528,593**	13,356,314
Current tax recoverable		**30,373**	25,504
		146,255,884	140,974,665
Current liabilities			
Trade and other payables	*13*	**19,822,836**	11,726,438
Bank loans	*14*	**25,252,161**	23,343,521
Current tax payable		**3,190**	–
Provisions		**733,805**	814,687
		45,811,992	35,884,646
Net current assets		**100,443,892**	105,090,019
Net assets		**119,236,920**	125,794,498
Capital and reserves			
Share capital		**1,162,872**	1,162,872
Reserves		**118,074,048**	124,631,626
Total equity		**119,236,920**	125,794,498

Approved and authorised for issue by the Board of Directors on 13 August 2018.

Director | *Director*

Mr Lin Chih Ming | **Mr Lin Chun Yu**

The notes on pages 19 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 - unaudited
(Expressed in United States 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 2017	1,162,872	112,198,709	1,962,666	(34,193,076)	228,343	53,199,565	134,559,079
Changes in equity for the six months ended 30 June 2017:							
Loss for the period	–	–	–	–	–	(2,429,665)	(2,429,665)
Other comprehensive income	–	–	–	399,133	–	–	399,133
Total comprehensive income	–	–	–	399,133	–	(2,429,665)	(2,030,532)
Balance at 30 June 2017	1,162,872	112,198,709	1,962,666	(33,793,943)	228,343	50,769,900	132,528,547
Balance at 1 January 2018	1,162,872	112,198,709	1,962,666	(33,625,439)	237,708	43,857,982	125,794,498
Changes in equity for the six months ended 30 June 2018:							
Loss for the period	–	–	–	–	–	(5,584,321)	(5,584,321)
Other comprehensive income	–	–	–	(973,257)	–	–	(973,257)
Total comprehensive income	–	–	–	(973,257)	–	(5,584,321)	(6,557,578)
Balance at 30 June 2018	1,162,872	112,198,709	1,962,666	(34,598,696)	237,708	38,273,661	119,236,920

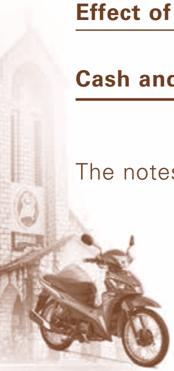
The notes on pages 19 to 34 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 - unaudited
(Expressed in United States dollars)

	Six months ended 30 June	
	2018	2017
	US$	*US$*
Cash (used in)/generated from operations	**(7,650,971)**	1,760,895
Tax (paid)/refunded	**(5,729)**	61,101
Net cash (used in)/generated from operating activities	**(7,656,700)**	1,821,996
Investing activities		
Decrease/(increase) in time deposits maturing after three months	**21,996,698**	(2,317,883)
Payment for purchase of property, plant and equipment	**(1,499,703)**	(656,587)
Interest received	**1,542,680**	1,985,094
Proceeds from disposal of property, plant and equipment	**800**	–
Net cash generated from/(used in) investing activities	**22,040,475**	(989,376)
Financing activities		
Proceeds from borrowings	**29,764,143**	23,537,225
Repayment of borrowings	**(27,629,475)**	(29,222,501)
Interest paid	**(288,627)**	(201,583)
Net cash generated from/(used in) financing activities	**1,846,041**	(5,886,859)
Net increase/(decrease) in cash and cash equivalents	**16,229,816**	(5,054,239)
Cash and cash equivalents at 1 January	**13,356,314**	11,106,900
Effect of foreign exchange rate changes	**(57,537)**	2,987
Cash and cash equivalents at 30 June	**29,528,593**	6,055,648

The notes on pages 19 to 34 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 13 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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").

2 BASIS OF PREPARATION (Continued)

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 14.

The financial information relating to the financial year ended 31 December 2017 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 a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

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.

4 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	
	2018	2017
	US$	*US$*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Manufacture and sale of motorbikes	**36,873,016**	36,155,192
– Manufacture and sale of spare parts and engines	**7,637,002**	9,691,132
– Moulds and repair services	**30,890**	37,917
	44,540,908	45,884,241
Disaggregated by geographical location of customers		
– Vietnam (place of domicile)	**23,683,204**	20,881,836
– Malaysia	**11,834,664**	16,030,451
– The Philippines	**8,382,339**	7,160,280
– Singapore	**97,219**	460,782
– Indonesia	**90,995**	144,902
– Taiwan	**376,153**	1,200,901
– Other countries	**76,334**	5,089
	44,540,908	45,884,241

4 SEGMENT REPORTING (Continued)

(b) Information about profit or loss, assets and liabilities

	Six months ended 30 June 2018			
	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"	36,873,016	7,637,002	30,890	44,540,908
Inter-segment revenue	–	13,889,195	451,954	14,341,149
Reportable segment revenue	**36,873,016**	**21,526,197**	**482,844**	**58,882,057**
Reportable segment profit/(loss) (adjusted EBIT)	**(6,225,288)**	**(1,258,446)**	**5,807**	**(7,477,927)**
Reportable segment assets at 30 June 2018	**38,263,598**	**24,542,997**	**1,185,245**	**63,991,840**
Reportable segment liabilities at 30 June 2018	**10,052,893**	**5,837,702**	**311,577**	**16,202,172**

4 **SEGMENT REPORTING (Continued)**

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

	Six months ended 30 June 2017			
	Manufacture and sale of motorbikes *US$*	Manufacture and sale of spare parts and engines *US$*	Moulds and repair services *US$*	Total *US$*
Revenue from external customers	36,155,192	9,691,132	37,917	45,884,241
Inter-segment revenue	–	14,412,595	294,412	14,707,007
Reportable segment revenue	36,155,192	24,103,727	332,329	60,591,248
Reportable segment loss (adjusted EBIT)	(2,719,550)	(629,092)	(24,345)	(3,372,987)
Reportable segment assets at 31 December 2017	35,257,488	21,193,792	1,027,766	57,479,046
Reportable segment liabilities at 31 December 2017	7,191,377	4,404,695	299,994	11,896,066

The measure used for reporting segment profit or loss is "adjusted EBIT" i.e. "adjusted earnings or 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 profit or loss of an associate, directors' and auditors' remuneration and other head office or corporate administration costs.

4 SEGMENT REPORTING (Continued)

(c) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2018	2017
	US$	*US$*
Reportable segment loss	**(7,477,927)**	(3,372,987)
Elimination of inter-segment profits	**–**	–
Reportable segment loss derived from Group's external customers	**(7,477,927)**	(3,372,987)
Net finance income	**1,930,177**	1,588,434
Share of (loss)/profit of an associate	**(4,707)**	33,613
Unallocated corporate expenses	**(721,227)**	(682,967)
Consolidated loss before taxation	**(6,273,684)**	(2,433,907)

5 LOSS BEFORE TAXATION

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

(a) Net finance income

	Six months ended 30 June	
	2018	2017
	US$	*US$*
Interest income from banks	**(2,121,698)**	(1,972,876)
Finance income	**(2,121,698)**	(1,972,876)
Interest paid and payable to banks	**277,936**	246,367
Net foreign exchange (gain)/loss	**(86,415)**	138,075
Finance costs	**191,521**	384,442
	(1,930,177)	(1,588,434)

5 LOSS BEFORE TAXATION (Continued)

(b) Staff costs

	Six months ended 30 June	
	2018	2017
	US$	*US$*
Salaries and wages	**4,488,349**	4,347,948
Staff welfare	**1,051,098**	806,353
Contributions to defined contribution retirement plans	**633,263**	532,943
	6,172,710	5,687,244

(c) Other items

	Six months ended 30 June	
	2018	2017
	US$	*US$*
Amortisation of lease prepayments/intangible assets	**155,484**	155,382
Depreciation of property, plant and equipment	**3,725,123**	1,815,242
Loss on disposal of property, plant and equipment	**540**	–
Write-down of inventories *(Note 10)*	**162,730**	343,870
Research and development expenses	**1,610,159**	1,142,487

6 INCOME TAX

	Six months ended 30 June	
	2018	2017
	US$	*US$*
Current tax		
Provision for the period	**3,216**	–
Under/(over)-provision in respect of prior periods	**860**	(4,242)
	4,076	(4,242)
Deferred tax		
Origination and reversal of temporary differences	**(693,439)**	–
	(689,363)	(4,242)

6 INCOME TAX (Continued)

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 2018 and 2017.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

In accordance with the Law of Foreign Investment of 1987, as amended in 1990 and 1992 in Vietnam, provision for corporate income tax ("CIT") for Vietnam Manufacturing and Export Processing Co., Limited ("VMEP") is calculated at 18% of the taxable profits on motorbike assembling and manufacturing activities and at the rate of 10% of taxable profits on engine assembling and manufacturing activities. The applicable tax rate for profits from other operating activities is 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 2018, 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 for the period of US$5,584,321 (six months ended 30 June 2017: US$2,429,665) and 907,680,000 ordinary shares (2017: 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 2018 and 2017 as there were no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017.

8 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2018 (2017: nil).

9 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of US$1,446,500 (six months ended 30 June 2017: US$656,587).

(b) Estimated useful lives

Following a review of the actual utilisation of the Group's property, plant and equipment, the estimated useful lives of its moulds have been revised with effect from 1 January 2018.

The effect of these changes on the depreciation expense for the period ended 30 June 2018 and the expected effects for the future periods are as follows:

		Year ended 31 December			
	Six months ended 30 June 2018	2018	2019	2020	Thereafter
	US$	*US$*	*US$*	*US$*	*US$*
Increase/(decrease) in depreciation expenses	1,959,902	2,151,721	214,695	(376,132)	(1,990,284)

10 INVENTORIES

During six months ended 30 June 2018, US$162,730 (six months ended 30 June 2017: US$343,870) 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.

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2018	At 31 December 2017
	US$	*US$*
Trade receivables	**11,976,920**	9,065,477
Non-trade receivables	**9,903,236**	8,672,581
Prepayments	**2,543,730**	1,927,395
Amounts due from related parties		
Trade	**84,887**	154,534
Non-trade	**67,647**	8,224
	24,576,420	19,828,211

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 2018	At 31 December 2017
	US$	*US$*
Within 3 months	**11,652,932**	9,085,180
More than 3 months but within 1 year	**408,875**	134,831
Trade receivables, net of loss allowance	**12,061,807**	9,220,011

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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, 53% (31 December 2017: 42%) of the total trade receivables was due from the Group's largest debtor.

Non-trade receivables mainly represented VAT recoverable of US$4,148,584 (31 December 2017: US$3,906,745) and interest receivable of US$2,321,091 (31 December 2017: US$1,742,073).

12 CASH AND CASH EQUIVALENTS

	At 30 June 2018	At 31 December 2017
	US$	*US$*
Cash at banks and on hand	**7,236,621**	13,356,314
Time deposits maturing within three months	**22,291,972**	–
	29,528,593	13,356,314

13 TRADE AND OTHER PAYABLES

	At 30 June 2018	At 31 December 2017
	US$	*US$*
Trade payables	**9,888,759**	3,739,769
Other payables and accrued operating expenses	**4,520,888**	4,658,868
Advances from customers	**785,736**	162,633
Amounts due to related parties		
Trade	**3,950,124**	1,809,282
Non-trade	**677,329**	1,355,886
	19,822,836	11,726,438

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

13 TRADE AND OTHER PAYABLES (Continued)

	At 30 June 2018	At 31 December 2017
	US$	*US$*
Within 3 months	**13,756,465**	5,292,246
More than 3 months but within 1 year	**82,418**	250,648
More than 1 year	**–**	6,157
	13,838,883	5,549,051

14 BANK LOANS

As of the end of the reporting period, the bank loans of the Group were secured by time deposits of US$9,672,775 (31 December 2017: US$10,892,481) 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 2017 and 30 June 2018 and their carrying amounts are not materially different from their fair values.

16 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2018, 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
Sanyang Motor Vietnam Co., Ltd.	A subsidiary of Sanyang
Xiamen Xiashing Motorcycle Co., Ltd.	A subsidiary of Sanyang
Jiyang Machinery Industry 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

16 **MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

(a) **Recurring transactions**

	Six months ended 30 June	
	2018	2017
	US$	*US$*
Sales of finished goods and spare parts:		
Sanyang Motor Co., Ltd.	**376,112**	1,200,901
Xiamen Xiashing Motorcycle Co., Ltd.	**2,158**	13,931
	378,270	1,214,832
Purchases of raw materials and finished goods:		
Sanyang Motor Co., Ltd.	**5,727,108**	1,761,150
Sanyang Global Co., Ltd.	**1,296,712**	–
Xiamen Xiashing Motorcycle Co., Ltd.	**1,121,148**	290,411
Vietnam Three Brothers Machinery Industry Co., Limited	**1,365,473**	1,284,258
Jiyang Machinery Industry Co., Ltd.	**12,100**	969,663
	9,522,541	4,305,482
Purchases of property, plant and equipment:		
Sanyang Motor Co., Ltd.	**9,542**	222,121
Technology transfer fees:		
Sanyang Motor Co., Ltd.	**598,128**	1,056,239
Technical consultancy fee:		
Sanyang Motor Co., Ltd.	**900**	386,260

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Amounts due from related parties

	At 30 June 2018 US$	At 31 December 2017 US$
Trade		
Sanyang Motor Co., Ltd.	**75,978**	124,038
Sanyang Global Co., Ltd.	**4,739**	57
Xiamen Xiashing Motorcycle Co., Ltd.	**3,400**	1,941
Vietnam Three Brothers Machinery Industry Co., Limited	**609**	153
Jiyang Machinery Industry Co., Ltd.	**161**	28,345
Sub-total	**84,887**	154,534
Non-trade		
Sanyang Motor Co., Ltd.	**6,100**	8,224
Sanyang Global Co., Ltd.	**61,547**	–
Sub-total	**67,647**	8,224
Total	**152,534**	162,758

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Amounts due to related parties

	At 30 June 2018 US$	At 31 December 2017 US$
Trade		
Sanyang Motor Co., Ltd.	**2,625,521**	914,813
Sanyang Global Co., Ltd.	**439,331**	1,382
Xiamen Xiashing Motorcycle Co., Ltd.	**448,553**	527,272
Jiyang Machinery Industry Co., Ltd.	**–**	182,219
Vietnam Three Brothers Machinery Industry Co., Limited	**436,719**	183,596
Sub-total	**3,950,124**	1,809,282
Non-trade		
Sanyang Motor Co., Ltd.	**615,782**	1,355,886
Sanyang Global Co., Ltd.	**61,547**	–
Subtotal	**677,329**	1,355,886
Total	**4,627,453**	3,165,168

17 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 26 March 2018, the Company entered into a Sale and Purchase Agreement with SY International Ltd. ("SYI"), a direct controlling shareholder of the Company, pursuant to which the Company has conditionally agreed to purchase and SYI has conditionally agreed to sell the capital contribution in Sanyang Motor Vietnam Company Limited, a limited liability company incorporated in Vietnam (the "Acquisition") at a total consideration of US$2,700,000. The Acquisition is expected to be completed by September 2018.

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of IFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Continued)

IFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

At 30 June 2018, the Group has entered into lease agreements for its land, warehouses and office premises in Vietnam, with lease terms ranged from 1-50 years. These leases are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	Properties *US$*
Amounts payable:	
Within 6 months	71,338
After 6 months but within 1 year	69,541
After 1 year but within 5 years	334,025
After 5 years	1,491,809
	1,966,713

Upon the initial adoption of IFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16.