VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED

越南製造加工出口**(**控股**)**有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Financial Highlights :	**(expressed in US$'million)**		
	Six months ended 30 June		
	2010	**2009**	**change**
• Total revenue	112.7	91.1	+24%
• Gross profit	27.4	18.6	+ 47%
• Net profit after tax	11.2	4.0	+177%
• Earnings per share *(US$)*	0.012	0.004	+177%

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with the comparative figures for the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010 - unaudited

		Six months ended 30 June	
		2010	**2009**
	Note	*US$*	*US$*
Revenue	2	112,727,842	91,059,053
Cost of sales		(85,281,211)	(72,435,050)
Gross profit		27,446,631	18,624,003
Other income	3	1,200,391	90,867
Distribution expenses		(6,376,761)	(5,686,660)
Technology transfer fees		(3,084,886)	(2,416,395)
Administrative expenses		(6,759,556)	(6,139,804)
Other expenses		(594,848)	(221,428)
Results from operating activities		11,830,971	4,250,583
Finance income		3,245,308	1,965,019
Finance expenses		(1,007,429)	(981,335)
Net finance income	4 (a)	2,237,879	983,684
Share of profits of an equity accounted investee		169,681	57,104
Profit before income tax	4	14,238,531	5,291,371
Income tax expense	5	(3,028,902)	(1,244,697)
Profit for the period		11,209,629	4,046,674
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of overseas subsidiaries		(3,345,557)	(975,276)
Total comprehensive income for the period		7,864,072	3,071,398
Attributable to:			
Equity holders of the Company		7,864,072	3,071,398
Earnings per share			
– basic	6	0.012	0.004
– diluted	6	0.012	0.004

Consolidated Balance Sheet

At 30 June 2010-unaudited

	Note	At 30 June 2010 US$	At 31 December 2009 US$
Assets			
Property, plant and equipment	7	42,638,759	39,334,108
Intangible assets		112,880	78,893
Lease prepayments		709,935	766,158
Goodwill		-	8,751
Investment in an equity accounted investee		941,498	771,816
Time deposit		3,000,000	3,000,000
Deferred tax assets		430,951	1,052,266
Non-current assets		47,834,023	45,011,992
Inventories		30,710,918	33,720,430
Trade receivables, other receivables and prepayments	8	14,158,387	19,931,444
Income tax recoverable		914	37,168
Available-for-sale financial assets		-	8,361,213
Pledged bank deposits		157,500	1,564,695
Time deposits maturing after three months		13,629,602	22,651,658
Cash and cash equivalents		79,100,387	89,301,938
Current assets		137,757,708	175,568,546
Total assets		185,591,731	220,580,538
Liabilities			
Trade and other payables	9	27,485,998	42,449,485
Interest-bearing borrowings		300,000	7,973,680
Income tax payables		849,385	1,453,062
Provisions		1,544,465	1,422,463
Total current liabilities		30,179,848	53,298,690
Interest-bearing borrowings		-	19,180
Total non-current liabilities		-	19,180
Total liabilities		30,179,848	53,317,870
Net current assets		107,577,860	122,269,856
Total assets less current liabilities		155,411,883	167,281,848
Net assets		155,411,883	167,262,668

Consolidated Balance Sheet *(Continued)*

At 30 June 2010-unaudited

	At 30 June 2010	At 31 December 2009
	US$	*US$*
Equity		
Paid-in capital	1,162,872	1,162,872
Reserves	154,249,011	166,099,796
Total equity attributable to equity holders of the Company	155,411,883	167,262,668
Total liabilities and equity	185,591,731	220,580,538

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT:

1. BASIS OF PREPARATION

The Company has a financial year end date of 31 December. 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").

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 2009 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The interim financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets.

The interim financial report for the six months ended 30 June 2010 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 20 August 2010. The interim financial report has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2010.

2. REVENUE & SEGMENT REPORTING

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as net finance income/expenses. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

(a) Segment results

	Six months ended and as at 30 June 2010			
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Group** *US$*
Revenue from external customers	99,150,180	13,485,764	91,898	112,727,842
Inter-segment revenue	-	41,000,498	780,882	41,781,380
Reportable segment revenue	99,150,180	54,486,262	872,780	154,509,222
Reportable segment profits (Adjusted EBIT)	7,724,880	5,809,881	172,758	13,707,519

	Six months ended 30 June 2009			
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Group** *US$*
Revenue from external customers	78,964,515	11,965,695	128,843	91,059,053
Inter-segment revenue	-	32,894,586	1,076,346	33,970,932
Reportable segment revenue	78,964,515	44,860,281	1,205,189	125,029,985
Reportable segment profits (Adjusted EBIT)	1,706,298	3,373,583	327,758	5,407,639

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2010	**2009**
	US$	*US$*
Profit		
Reportable segment profit derived from Group's external customers	13,707,519	5,407,639
Net finance income	2,237,879	983,684
Share of profits of an equity accounted investee	169,681	57,104
Unallocated corporate expenses	(1,876,548)	(1,157,056)
Consolidated profit before income tax	14,238,531	5,291,371

3. OTHER INCOME

In 2008, a fire broke out in a factory owned by Vietnam Manufacturing and Export Processing Co., Limited ("VMEP"), a wholly-owned subsidiary of the Company. The fire resulted in losses to the Group's inventories of US$2,730,177 and losses to the Group's property, plant and equipment of US$238,754. The Group submitted an insurance claim of approximately US$3 million in September 2008, and received an amount of US$1 million in September 2009. During the period, the Group received a second installment of the insurance compensation amounting to US$1 million. The corresponding gain is recognised in other income for the six months ended 30 June 2010.

4. PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

(a) Finance income and expense

	Six months ended 30 June	
	2010	**2009**
	US$	*US$*
Interest income from banks	3,242,562	1,793,848
Interest income from available-for-sale financial assets	2,746	171,171
Finance income	3,245,308	1,965,019
Interest paid and payable to banks	(90,050)	(182,394)
Net foreign exchange losses	(917,379)	(798,941)
Finance expense	(1,007,429)	(981,335)
Net finance income	2,237,879	983,684

(b) Staff cost

	Six months ended 30 June	
	2010	**2009**
	US$	*US$*
Wages and salaries	3,984,593	3,526,177
Staff welfare	1,814,895	1,186,384
Equity settled share-based payment expenses	55,636	133,827
Contributions to defined contribution plan	325,179	258,584
Severance allowance	316,843	197,746
Total	6,497,146	5,302,718

(c) Other items

	Six months ended 30 June	
	2010	**2009**
	US$	*US$*
Amortisation of lease prepayments/intangible assets	68,687	127,655
Depreciation of property, plant and equipment	3,778,892	3,514,880
Equity settled share-based payment expenses		
- employees of the ultimate holding company	48,104	107,964
Impairment losses on goodwill	8,751	-
Impairment losses on property, plant and equipment	478,921	-
Loss on disposal of property, plant and		
equipment (net)	8,748	101,198
Research and development expenses	3,715,016	3,622,041
Write down of inventories	294,408	644,441

5. INCOME TAX EXPENSE

Recognised in the income statement

	Six months ended 30 June	
	2010	**2009**
	US$	*US$*
Current tax expenses		
– current tax	2,349,717	1,450,356
–under/ (over) provision in prior period	78,549	(52,089)
Deferred tax expense		
– origination and reversal of temporary differences	600,636	(153,570)
	3,028,902	1,244,697

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 2010.

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 VMEP is calculated at 18% of the taxable profits on motorbike assembling and manufacturing activities and at the rate of 10% of taxable profits on engine assembling and manufacturing activities. The applicable tax rate for profits from other operating activities is 25%.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000 in Vietnam, the applicable CIT rate for Vietnam Casting Forge Precision Limited ("VCFP") is 15%. VCFP is entitled to a tax holiday of a tax-free period for 3 years from 2003 to 2005. Thereafter, it is subject to CIT at 50% of the applicable income tax rate for the following 7 years from 2006 to 2012.

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 15% for the first 5 years starting from the first year of operation, 20% for the next 6 years (2007 to 2012) and 25% for subsequent years.

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% for the taxable profit if total taxable profit is above New Taiwan Dollar ("NT$") 120,000. Income tax is exempted if the taxable profit is below NT$120,000.

In accordance with the Income Tax Law of Indonesia, the applicable tax rate for PT Sanyang Industri Indonesia is 10% for the amount of net profit below Indonesia Rupiah ("IDR") 50 million, and 15% and 30% for the amount of net profit at or above IDR 50 million and IDR100 million, respectively.

6. EARNINGS PER SHARE

Basic earnings per share
The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of US$11,209,629 (six months ended 30 June 2009: US$4,046,674) and 907,680,000 ordinary shares (six months ended 30 June 2009: 907,680,000 ordinary shares) in issue during the interim period.

Diluted earnings per share
The amount of diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2010 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

7. PROPERTY, PLANT AND EQUIPMENT

The additions, disposals and the effect of movements in exchange rate of the items of property, plant and equipment are as follows:

	Six months ended 30 June	
	2010	**2009**
	US$	*US$*
Additions	8,912,857	4,457,436
Disposals (net carrying amount)	(22,744)	(132,636)
Effect of movements in exchange rate	(1,317,649)	(229,664)

8. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2010	**At 31 December 2009**
	US$	*US$*
Trade receivables	4,056,312	3,174,018
Non-trade receivables	3,259,111	2,846,144
Prepayments	6,568,382	10,437,562
Amounts due from related parties		
- trade	179,728	966,325
- non-trade	94.854	2,507,395
	14,158,387	19,931,444

The Group's exposure to credit risk is minimal as the Group generally offers no credit terms to domestic customers in Vietnam, which accounted for approximately 87% (six months ended 30 June 2009 : 89%) of total customers for the six-month period ended 30 June 2010. 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.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

An aging analysis of the trade receivables of the Group including trade receivables due from related parties is as follows:

	At 30 June 2010 *US$*	**At 31 December 2009** *US$*
Within three months	4,214,900	4,115,149
More than three months but within one year	21,140	25,194
	4,236,040	4,140,343

9. TRADE AND OTHER PAYABLES

	At 30 June 2010 *US$*	**At 31 December 2009** *US$*
Trade payables	9,864,721	13,717,865
Other payables and accrued operating expenses	8,435,126	10,428,679
Advances from customers	2,916,448	4,342,080
Amounts due to related parties		
- trade	6,269,703	13,955,614
- non-trade	-	5,247
	27,485,998	42,449,485

An aging analysis of trade payables of the Group including trade payables due to related parties is as follows:

	At 30 June 2010 *US$*	**At 31 December 2009** *US$*
Within three months	15,806,115	27,330,302
More than three months but within one year	257,276	274,538
More than one year but within five years	71,033	68,639
	16,134,424	27,673,479

10. CONTINGENT ASSET

Contingent asset

With reference to note 3, up to the date of issue of these financial statements, the Group has received insurance compensations totalling US$2 million. However, the insurance company has yet to confirm the final compensation amounts. No asset is recognised in respect of the remaining insurance claim.

MANAGEMENT DISCUSSION & ANALYSIS

The Group is one of the leading manufacturers of scooters and cub motorbikes in Vietnam, its manufacturing and assembly operations are located in Dong Nai Province (near Ho Chi Minh City) and Hanoi of Vietnam with an annual production capacity of 360,000 motorbikes. Offering a wide range of models, the Group's motorbikes are sold under the SYM and SANDA brand names. 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.

BUSINESS REVIEW

The financial market in Vietnam gradually stabilized following a series of fiscal stimulus measures initiated by the Vietnamese Government. In the first half of 2010, the GDP growth rate was 6.2%, the interest rates of fixed deposit and lending were 11% and 13% respectively, and the foreign direct investment growth was 43%, reversing the previously negative trend. However, the inflation rate rose to 8.7%, led by the rapid growth of money supply. A slightly worrying phenomenon was that due to the central bank intervention in the overheating foreign currency market, the Vietnamese Dong became slightly volatile. Currently, economic indicators demonstrate that the currency devaluation and high inflationary pressure still remain the main causes of the instability of the financial system and might act as a drag on Vietnam's full economic recovery.

The Group worked in a challenging and competitive environment, however, we achieved an encouraging performance in the first half of 2010, both revenue and profit after tax increased by 24% and 177% respectively over the first half of 2009. This demonstrates the Group's successful execution of its business strategy of providing high performance products and high value added services to its high quality demand customers.

For the six months ended 30 June 2010, an aggregate of approximately 89,600 units (of which approximately 55,100 units and 34,500 units of scooters and cubs respectively) were sold by the Group in Vietnam and approximately 18,600 units were exported to ASEAN countries (mainly the Philippines, Indonesia, Singapore, Brunei, Myanmar and Malaysia), representing an increase of 31% and 3% respectively over the same period of previous year.

During the period, the Group strengthened its distribution network with the opening of 12 flagship outlets. As of 30 June 2010, the Group's extensive distribution network comprised over 298 SYM-authorised stores owned by dealers, covering every province in Vietnam.

The Group's new research and development centre in Dong Nai Province has already completed and commenced its operations during the period. This facility has a test-drive circuit for motorbikes and equipped with the latest emissions testing equipment, the Group is able to carry out advanced research projects, which shall further enhance the Group's research and development capabilities to meet the ever changing demands and needs of consumers.

FINANCIAL REVIEW

Revenue increased from US$91.1 million for the for the six months ended 30 June 2009 to US$112.7 million for the six months ended 30 June 2010, and the Group's net profit after tax was US$11.2 million for six months ended 30 June 2010 as compared with US$4.0 million for the six months ended 30 June 2009, representing an increase of 24% and 177% respectively. To mitigate the adverse impact on its operations, the Group has maintained strict controls over its operating costs and capital expenditures.

REVENUE

Revenue of the Group for the six months ended 30 June 2010 amounted to US$112.7 million as compared with US$91.1 million for the six months ended 30 June 2009, an increase of US$21.6 million or 24%. This increase was due to stable domestic demand in Vietnam during the period. The Group domestic sales quantities of scooters increased by 26% for the six months ended 30 June 2010 as compared with the six months ended 30 June 2009, while overall sales quantities also increased by 30% for the same comparative period. Sales of scooters continued to be the Group's major profit driver which accounting for 63% of total sales, and the principal models were Attila-Victoria, Elizabeth and Shark. In terms of geographical contribution, approximately 87% of total sales were generated from the domestic market in Vietnam for the six months ended 30 June 2010.

COST OF SALES

The Group's cost of sales increased by 18%, from US$72.4 million for the six months ended 30 June 2009 to US$85.3 million for the six months ended 30 June 2010. The increase was primarily due to higher sales volume but partly offset by implementing tight cost control measures on increased usage of components sourced locally or imported parts from China, and reducing cost of new models through re-design, etc. As a percentage of total revenue, the Group's cost of sales decreased from 80% for the six months ended 30 June 2009 to 76% in the six months ended 30 June 2010.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the factors discussed above, the gross profit of the Group increased by 47%, from US$18.6 million for the six months ended 30 June 2009 to US$27.4 million for the six months ended 30 June 2010. Between such comparative periods, the Group's gross profit margin increased from 20% to 24%, mainly due to the increase in sales volume of scooters which posses a relatively high profit margin.

DISTRIBUTION EXPENSES

The Group's distribution expenses increased by 12%, from US$5.7 million for the six months ended 30 June 2009 to US$6.4 million for the six months ended 30 June 2010. This increase was mainly due to the increase in advertising expenses of US$0.3 million and warranty of US$0.4 million.

TECHNOLOGY TRANSFER FEES

The technology transfer fees increased by 28%, from US$2.4 million for the six months ended 30 June 2009 to US$3.1 million for the six months ended 30 June 2010. This increase was largely due to a increase in the sales volume of SYM- branded motorbikes particularly scooters.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 10%, from US$6.1 million for the six months ended 30 June 2009 to US$6.8 million for the six months ended 30 June 2010, accounting for 6% of the Group's total revenue for the six months ended 30 June 2010. This was principally as a consequence of the increase in staff costs of US$1.2 million.

OTHER INCOME

The Group received an insurance compensation amounted to US$1.0 million during the six months ended 30 June 2010, this was the 2nd received installment of our claim from insurance company in respect of losses on inventories and property, plant and equipment as arising from fire amounted to US$3.0 million in 2008. The Group submitted an insurance claim of approximately US$3 million in 2008, we have already received insurance compensations of US$1 million in 2009 and US$1 million during the period.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's profit from operating activities increased by 178%, from US$4.3 million for the six months ended 30 June 2009 to US$11.8 million for the six months ended 30 June 2010.

NET FINANCE INCOME

The Group's net finance income increased by 128%, from US$1.0 million for the six months ended 30 June 2009 to US$2.2 million for the six months ended 30 June 2010. This increase was mainly attributable to an increase in the interest income from banks of US$1.4 million during the period. Exchange losses arisen from deterioration of exchange rate of the Vietnamese Dong against the US dollar for the period amounted to US$0.9 million as compared with US$0.8 million of same period of preceding year.

PROFIT FOR THE PERIOD AND PROFIT MARGIN

As a result of the factors discussed above, the Group's profit for the period, after income tax, increased by 177%, from US$4.0 million for the six months ended 30 June 2009 to US$11.2 million for the six months ended 30 June 2010, and the Group's net profit margin increased from 4% for the six months ended 30 June 2009 to 10% for the six months ended 30 June 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group's net current assets amounted to US$107.6 million (31 December 2009: US$122.3 million) which consisted of current assets amounting to US$137.8 million (31 December 2009: US$175.6 million) and current liabilities amounting to US$30.2 million (31 December 2009: US$53.3 million).

As at 30 June 2010, the interest-bearing borrowings repayable within one year was originally denominated in Vietnamese Dong amounted to US$0.3 million (31 December 2009: US$8.0 million, of which US$2.0 million was denominated in US$ and US$6.0 million was originally denominated in HK$). As at 30 June 2010, the Group had no interest-bearing borrowings repayable beyond one year (31 December 2009: US$0.02 million which was denominated in US$). As at 30 June 2010, the gearing ratio was 0.2% (31 December 2009: 5%) calculated by dividing total interest-bearing borrowings by total equity.

As at 30 June 2010, the cash and bank balances (including pledged bank deposits), amounted to US$95.9 million, including US$56.9 million which was originally denominated in Vietnamese Dong, US$ 36.6 million which was denominated in US$ and US$2.4 million which was originally denominated in HK$, NTD and IDR (31 December 2009: US$116.5 million, including US$84.8 million which was originally denominated in Vietnamese Dong and US$31.3 million which was denominated in US$)

As at 30 June 2010, the Group had no available-for-sale financial assets (31 December 2009: US$8.4 million).

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

PLEDGE OF ASSETS

As at 30 June 2010, pledged bank deposits amounting to US$0.2 million (*31 December 2009*: pledged bank deposits of US$1.6 million and available-for-sale financial assets of US$8.4 million) were pledged with banks as security for certain banking facilities.

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 dollars. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2010, the capital commitments of the Group amounted to US$ 7.7 million *(31 December 2009: US$8.3 million),* which will all be paid off using the proceeds from the initial public offering ("IPO") of the shares of the Company in connection with its listing on the main board of the Stock Exchange and cash generated from the Group's operations.

The Group had no significant contingent liabilities as at 30 June 2010.

CONTINGENT ASSET

A fire broke out in one of VMEP's factories and has resulted in losses to the Group's inventories and property, plant and equipment in September 2008. The Group submitted an insurance claim of approximately US$3.0 million in September 2008 for the losses. Up to the date of issue of these financial statements, the Group has received insurance compensation totaling US$2 million. However, the insurance company has yet to confirm the final compensation amounts. No asset is recognised in respect of the remaining insurance claim.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan, Indonesia 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, share options, quality staff living quarters, training and development opportunities, medical benefits, an insurance plan and retirement benefits. As at 30 June 2010, the Group had 2006 employees (30 June 2009: 1,725). The total amount of salaries and related costs for the six months ended 30 June 2010 amounted to US$6.5 million (six months ended 30 June 2009: US$5.3 million).

CHANGES SINCE 31 DECEMBER 2009

Save as disclosed in this report, since 31 December 2009, 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 2009.

PROSPECTS

Looking ahead, the Vietnamese macro economic conditions and the financial market will still remain uncertain. As the Vietnamese government has introduced a series of fiscal stimulus measures, we are optimistic that the Vietnam's economy will continue to grow at a steady and rapid pace, whereas the motorbike industry is also expected to have a faster growth. While most countries in the ASEAN region have achieved economic improvements in the first half of 2010 and their motorbike industries have been grown when compared with the corresponding period of previous year, it is optimistic that these improvements will be continued in the forthcoming future.

The Group will continue to explore new models, to promote innovation, to minimize costs and to enhance product quality so as to maintain steady growth. In particular, the Group's new research and development centre has already been completed and was commenced its operations, this will greatly improve the group competitive strength. We will introduce three new or modified motorbike models in the second half of this year, and these include the "Electric Fuel Injection" models which are both highly fuel efficient and environmental friendly. The Group will also expand its distribution network in Vietnam and further strengthen its marketing efforts to enhance their overall brand image. To drive further growth for the Group's overseas business, we will continue to devote efforts to expand the ASEAN markets, particularly the Philippines, Malaysia and Thailand.

Barring unforeseen circumstances, the management is optimistic that the improved performance recorded in the first half of the year will continue into the second half of fiscal 2010. This, coupled with our first-class research and development capabilities and healthy financial position, will enable the Group to achieve robust performance in the future. The Group is confident that it will achieve good results and maximise returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the IPO of the Company in December 2007, net of listing expenses, amounted to US$76.7 million. As at 30 June 2010, such net proceeds were utilized in the following manner:

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 30 June 2010 US$' million
Construction of research and development centre in Vietnam	15.0	11.1	3.9
Expanding distribution channels in Vietnam, of which:			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	1.0	45.0
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	20.5	56.2

The unutilized balance was placed with several reputable financial institutions as deposits mainly denominated in Vietnam Dong or US dollars. For further details, please see the paragraph above headed "Liquidity and Financial Resources".

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, having considered amongst others, the findings of reviews and/or audits conducted by the independent professional parties, the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2010.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out 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, the Company confirms that the directors of the Company have complied with the required standard set out in the Model Code for the six months ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2010, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The interim results for the six months ended 30 June 2010 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 and that adequate disclosure has been made.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2010. Accordingly, no closure of the Register of Members of the Company is proposed.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the Company's website at www.vmeph.com. The 2010 interim report of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

Finally, we would like to express our gratitude to the Shareholders 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
Chang Kwang Hsiung
Chairman

Hong Kong, 20 August 2010

As at the date of this announcement, the directors (the "Directors") of the Company comprised four executive Directors, namely Mr. Chang Kwang Hsiung, *Mr. Lou Hen Wen*, Mr. Lee Hsi Chun and Mr. Wang Ching Tung, two non-executive Directors, namely Mr. Huang Kwang Wuu and Mr. Liu Wu Hsiung Harrison, and three independent non-executive Directors, namely Mr. Hsu Nai Cheng Simon, Ms. Lin Ching Ching and Mr. Wei Sheng Huang.