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 ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Financial Highlights：	**(expressed in US$ million)**		
	2010	2009	change
· Total revenue	246.9	217.7	+13%
· Gross profit	58.7	54.1	+9%
· Net profit after tax	25.1	21.3	+18%
· Earnings per share -basic *(US$)*	0.028	0.023	+18%
· Proposed final dividend per share *(US$)*	0	0.022	
· Cash and bank balances	129.8	116.5	
· Available-for-sale financial assets	0	8.4	

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 together with the comparative figures for the immediately preceding financial year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2010, please see the paragraph headed "Final Dividend" disclosed in Management Discussion & Analysis section for further details.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010	2009
		US$	*US$*
Revenue	2	246,886,124	217,700,791
Cost of sales		(188,150,201)	(163,623,809)
Gross profit		58,735,923	54,076,982
Other income	3	1,879,016	1,451,660
Distribution expenses		(15,186,776)	(13,647,218)
Technology transfer fees		(6,455,056)	(5,940,366)
Administrative expenses		(13,012,847)	(12,666,106)
Other expenses		(638,459)	(254,467)
Results from operating activities		25,321,801	23,020,485
Finance income		7,412,393	5,011,028
Finance expenses		(1,586,604)	(2,800,981)
Net finance income	4 (c)	5,825,789	2,210,047
Share of profits of an equity accounted investee		213,196	158,041
Profit before income tax	4	31,360,786	25,388,573
Income tax expenses	5	(6,250,621)	(4,100,891)
Profit for the year		25,110,165	21,287,682
Attributable to:			
Equity holders of the Company		25,110,165	21,287,682
Non-controlling interests		-	-
Profit for the year		25,110,165	21,287,682
Other comprehensive income for the year (after tax):			
Exchange differences on translation of financial statements of overseas subsidiaries		(5,097,557)	(4,183,427)
Total comprehensive income for the year attributable to equity holders of the Company		20,012,608	17,104,255
Earnings per share			
– basic	7	0.028	0.023
– diluted	7	0.028	0.023

Consolidated Balance Sheet

At 31 December 2010

	Note	2010 US$	2009 US$
Assets			
Property, plant and equipment	8	40,814,779	39,334,108
Intangible assets		164,283	78,893
Lease prepayments		679,702	766,158
Goodwill		-	8,751
Investment in an equity accounted investee		771,005	771,816
Time deposit		-	3,000,000
Deferred tax assets		178,489	1,052,266
Total non-current assets		42,608,258	45,011,992
Inventories	9	26,742,020	33,720,430
Trade receivables, other receivables and prepayments	10	10,572,687	19,931,444
Income tax recoverable		15,548	37,168
Available-for-sale financial assets		-	8,361,213
Pledged bank deposits		-	1,564,695
Time deposits maturing after three months		13,606,410	22,651,658
Cash and cash equivalents		116,147,982	89,301,938
Total current assets		167,084,647	175,568,546
Total assets		209,692,905	220,580,538
Liabilities			
Trade and other payables	11	37,237,014	42,449,485
Interest-bearing borrowings		1,125,966	7,973,680
Income tax payables		1,698,142	1,453,062
Provisions		1,967,625	1,422,463
Total current liabilities		42,028,747	53,298,690
Interest-bearing borrowings		-	19,180
Total non-current liabilities		-	19,180
Total liabilities		42,028,747	53,317,870
Net current assets		125,055,900	122,269,856
Total assets less current liabilities		167,664,158	167,281,848
Net assets		167,664,158	167,262,668
Equity			
Paid-in capital		1,162,872	1,162,872
Reserves		166,501,286	166,099,796
Total equity attributable to equity holders of the Company		167,664,158	167,262,668
Total liabilities and equity		209,692,905	220,580,538

Notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION

The following significant accounting policies have been adopted by the Group in the preparation of these financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

Up to the date of issue of these financial statements, the IASB has issued a number of IFRSs amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2010 and which have not yet been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IAS 12, *Income taxes*	1 January 2012
IFRS 9, F*inancial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the available-for-sale financial assets are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates.

The Group has adopted US Dollar ("US$") as its presentation currency as the directors of the Company consider that presentation of the consolidated financial statements in US$ will facilitate analysis of the Group's financial information.

2. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

- Manufacture and sales of motorbikes: the Group's principal products are motorbikes manufactured primarily for the Vietnamese market. The Group also exports motorbikes to other countries including Malaysia, the Philippines, Brunei and Singapore.

- Manufacture and sales of spare parts and engines: the Group manufactures engines for use in the Group's motorbikes, but the Group also exports engines to third parties. The Group manufactures parts for use in repair servicing and product assembly.

- Moulds and repair services: the Group manufactures and maintains moulds used for making metal parts, for example, by die casting and pressing. The majority of the Group's moulds are specially made for internal use, producing parts for the Group's products. However, the Group also manufactures a small number of moulds for external sale to its domestic suppliers and to domestic manufacturers unrelated to the production of parts for the Group's products.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investment in an equity accounted investee, available-for-sale financial assets, pledged bank deposits, time deposits maturing after three months, cash and cash equivalents, and other corporate assets. Segment liabilities include provisions, trade and other payables attributable to the manufacturing and sales activities of the individual segments with the exception of interest-bearing borrowings, income tax payables and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

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.

	Manufacture and sales of motorbikes US$	Manufacture and sales of spare parts and engines US$	Moulds and repair services US$	Total US$
	Year ended 31 December 2010			
Revenue from external customers	219,296,620	27,441,235	148,269	246,886,124
Inter-segment revenue	-	89,291,138	1,585,820	90.876,958
Reportable segment revenue	219,296,620	116,732,373	1,734,089	337,763,082
Reportable segment profits (Adjusted EBIT)	17,180,831	11,161,091	373,721	28,715,463
Interest income	3,930,009	2,972,542	113,217	7,015,768
Interest expense	(101,385)	(84,850)	(866)	(187,101)
Depreciation and amortisation for the year	(4,523,419)	(3,674,967)	(111,632)	(8,310,018)
Reportable segment assets	47,436,652	32,382,132	1,152,673	80,971,457
Reportable segment liabilities	25,697,255	14,318,124	137,877	40,153,256
	Year ended 31 December 2009			
Revenue from external customers	194,267,308	23,213,573	219,910	217,700,791
Inter-segment revenue	-	81,339,357	2,311,730	83,651,087
Reportable segment revenue	194,267,308	104,552,930	2,531,640	301,351,878
Reportable segment profits (Adjusted EBIT)	14,991,113	9,911,178	553,906	25,456,197
Interest income	2,673,010	1,995,276	47,173	4,715,459
Interest expense	(157,938)	(125,199)	(3,653)	(286,790)
Depreciation and amortisation for the year	(4,132,509)	(3,285,574)	(113,344)	(7,531,427)
Reportable segment assets	57,418,675	34,794,121	1,384,181	93,596,977
Reportable segment liabilities	20,410,768	24,162,814	267,042	44,840,624

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2010 *US$*	**2009** *US$*
Revenue		
Reportable segment revenue	337,763,082	301,351,878
Elimination of inter-segment revenue	(90,876,958)	(83,651,087)
Consolidated revenue	246,886,124	217,700,791
Profit		
Reportable segment profit	28,715,643	25,456,197
Elimination of inter-segment profits	-	-
Reportable segment profit derived from Group's external customers	28,715,643	25,456,197
Net finance income	5,825,789	2,210,047
Share of profits of an equity accounted investee	213,196	158,041
Unallocated corporate expenses	(3,393,842)	(2,435,712)
Consolidated profit before income tax	31,360,786	25,388,573

	At 31 December 2010 US$	At 31 December 2009 US$
Assets		
Reportable segment assets	80,971,457	93,596,977
Elimination of inter-segment receivables	(1,886,026)	(2,032,705)
	79,085,431	91,564,272
Investment in an equity accounted investee	771,005	771,816
Available-for-sale financial assets	-	8,361,213
Pledged bank deposits	-	1,564,695
Time deposits maturing after three months		
- non-current	-	3,000,000
- current	13,606,410	22,651,658
Income tax recoverable	15,548	-
Cash and cash equivalents	116,147,982	89,301,938
Unallocated corporate assets	66,529	3,364,946
Consolidated total assets	209,692,905	220,580,538
Liabilities		
Reportable segment liabilities	40,153,256	44,840,624
Elimination of inter-segment payables	(1,945,198)	(1,443,153)
	38,208,058	43,397,471
Interest-bearing borrowings	1,125,966	7,992,860
Income tax payables	1,698,142	1,453,062
Unallocated corporate liabilities	996,581	474,477
Consolidated total liabilities	42,028,747	53,317,870

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and investment in an equity accounted investee ("specified non-current assets"). The geographical location of customers is based on the location where the goods were delivered to or where the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of investment in an equity accounted investee.

	Revenues from external customers		Specified non-current assets	
	2010 US$	*2009 US$*	*2010 US$*	*2009 US$*
Vietnam (place of domicile)	219,951,085	197,777,002	41,657,406	39,651,363
Other countries*	26,935,039	19,923,789	1,358	542,205
	246,886,124	217,700,791	41,658,764	40,193,568

* Other countries mainly consist of Malaysia, the Philippines, Brunei and Singapore.

3. OTHER INCOME/LOSSES ARISING FROM A FIRE

In the previous year, 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 US$1 million in September 2009. During 2010, the Group received final insurance settlements totalling US$1,554,227, which are recognized in other income.

4. PROFIT BEFORE INCOME TAX

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

(a) Staff costs (including management's emoluments)

	2010	**2009**
	US$	*US$*
Salaries, wages and other benefits	12,122,971	10,344,852
Equity-settled share-based payment expenses	105,245	264,077
Contributions to defined contribution plans	645,706	533,867
Severance pay allowance	464,282	177,132
	13,338,204	11,319,928

(b) Other items

Amortisation of lease prepayments/intangible assets	131,305	221,102
Auditors' remuneration	454,531	341,761
Cost of inventories recognised as expenses *(i)*	175,182,556	162,364,508
Depreciation of property, plant and equipment	8,178,713	7,310,325
Equity-settled share-based payment expenses		
- employees of the Group	105,245	264,077
- employees of the ultimate holding company	102,234	198,931
Government grants	-	(804,164)
Gain on disposal/write off of property, plant and equipment (net)	(9,853)	(38,368)
Operating lease of properties	608,550	507,040
Research and development expenses *(ii)*	7,517,623	7,142,949
Technical consultancy fee	717,133	404,384
Warranty expenses	2,596,557	2,966,424
Allowance for inventory impairment	417,321	635,250
Allowance for impairment of property, plant and Equipment	478,921	-
Allowance for impairment of goodwill	8,751	-

(i) Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation and amortisation expenses and rental expense of properties, which are also included in the respective total amounts disclosed separately above or in Note 4(a) for each of these types of expenses.

(ii) Research and development expenses include amounts relating to technology transfer fee, staff costs, depreciation and amortisation expenses, rental expense of properties and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in Note 4(a) for each of these types of expenses. No development expenditure was capitalised for the year ended 31 December 2010 (2009: US$ nil).

(c) Finance income and expenses

Interest income from banks	7,409,647	4,808,552
Dividend income from mutual funds	2,746	202,476
Finance income	7,412,393	5,011,028
Interest paid and payable to banks	(62,423)	(311,343)
Net foreign exchange losses	(1,524,181)	(2,489,638)
Finance expenses	(1,586,604)	(2,800,981)
Net finance income	5,825,789	2,210,047

5. INCOME TAX EXPENSES

Recognised in the consolidated income statement

	2010	**2009**
	US$	*US$*
Current tax expenses		
– current tax	5,328,309	4,154,939
– under/(over) provision in respect of prior years	77,237	(57,827)
Deferred tax expense		
– origination and reversal of temporary differences	845,075	3,779
	6,250,621	4,100,891

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 year ended 31 December 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% of 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 25%.

6. DIVIDEND

(a) Dividends payable to equity holders of the Company attributable to the year

	2010	**2009**
	US$	*US$*
Special dividend declared and paid of US$nil per ordinary share (2009: US$0.0219)	-	19,910,400
Final dividend proposed after the balance sheet date of US$nil (2009:US$0.0219) per ordinary share*	-	19,818,597
	-	39,728,997

* *The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.*

(b) Dividends payable to equity holders of the Company attributable to the previous financial year, declared and paid during the year

	2010	**2009**
	US$	*US$*
Final dividend in respect of the previous year, declared and paid during the year of US$0.0219 per ordinary share (2009: US$0.0026)	19,818,597	2,399,050

7. 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$25,110,165 (2009: US$21,287,682) and the weighted average of 907,680,000 ordinary shares (2009: 907,680,000 ordinary shares) in issue during the year.

Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the year ended 31 December 2010 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery, moulds and equipment	Office equipment, furniture and fittings	Electrical, water and utility systems	Motor vehicles	Assets under construction	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Cost							
At 1 January 2009	13,492,334	69,238,320	1,693,771	5,515,065	1,231,836	4,307,415	95,478,741
Additions	10,864	5,013,509	138,832	173,592	108,176	3,249,123	8,694,096
Transfer from assets under construction	-	880,444	-	24,592	-	(905,036)	-
Disposals	(1,624,350)	(2,890,775)	(42,335)	(88,561)	(92,726)	-	(4,738,747)
Effect of movements in exchange rates	(714,884)	(3,665,026)	(85,467)	(291,150)	(47,872)	(242,838)	(5,047,237)
At 31 December 2009	11,163,964	68,576,472	1,704,801	5,333,538	1,199,414	6,408,664	94,386,853
Additions	269,303	8,897,015	424,405	121,783	300,033	2,263,766	12,276,305
Transfer from assets under construction	7,211	483,680	20,371	3,238	32,532	(547,032)	-
Disposals	(5,219)	(1,448,618)	(30,583)	(1,219)	(91,323)	-	(1,576,962)
Effect of movements in exchange rates	(588,373)	(3,664,016)	(95,876)	(281,482)	(62,510)	(366,364)	(5,058,621)
At 31 December 2010	10,846,886	72,844,533	2,023,118	5,175,858	1,378,146	7,759,034	100,027,575
Accumulated depreciation and impairment loss							
At 1 January 2009	3,713,854	44,164,008	1,091,222	4,346,470	835,458	-	54,151,012
Depreciation charge for the year	424,083	6,336,916	234,261	185,370	129,695	-	7,310,325
Disposals	(92,405)	(2,777,312)	(41,385)	(20,077)	(61,192)	-	(2,992,371)
Effect of movements in exchange rates	(239,310)	(2,808,584)	(72,538)	(246,123)	(49,666)	-	(3,416,221)
At 31 December 2009	3,806,222	44,915,028	1,211,560	4,265,640	854,295	-	55,052,745
Depreciation charge for the year	373,873	7,293,883	212,970	181,649	116,338	-	8,178,713
Impairment loss	5,694	442,723	160	-	30,344	-	478,921
Disposals	(986)	(1,428,167)	(30,387)	(1,067)	(60,478)	-	(1,521,085)
Effect of movements in exchange rates	(205,551)	(2,433,904)	(66,215)	(226,586)	(44,242)	-	(2,976,498)
At 31 December 2010	3,979,252	48,789,563	1,328,088	4,219,636	896,257	-	59,212,796
Carrying amount							
At 31 December 2010	6,867,634	24,054,970	695,030	956,222	481,889	7,759,034	40,814,779
At 31 December 2009	7,357,742	23,661,444	493,241	1,067,898	345,119	6,408,664	39,334,108

9. INVENTORIES

	The Group	
	2010	**2009**
	US$	*US$*
Raw materials	18,781,292	25,297,180
Tools and supplies	590,597	575,235
Work in progress	445,727	568,774
Finished goods	4,680,214	5,686,782
Merchandise inventories*	3,391,183	4,096,922
	27,889,013	36,224,893
Allowance for inventory impairment	(1,146,993)	(2,504,463)
Net realisable value	26,742,020	33,720,430

* *Merchandise inventories mainly represent spare parts kept for repairs and maintenance.*

The analysis of the amount of inventories recognised as expenses is as follows:

Carrying amount of inventories sold	174,765,235	161,729,258
Allowance for inventory impairment	417,321	635,250
	175,182,556	162,364,508

Movements in allowance for inventory impairment were as follows:

At 1 January	2,504,463	2,357,815
Additions	417,321	635,250
Utilisation	(1,672,233)	(360,859)
Effect of movements in exchange rates	(102,558)	(127,743)
At 31 December	1,146,993	2,504,463

10. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	US$	*US$*	*US$*	*US$*
Trade receivables	2,931,202	3,174,018	-	-
Non-trade receivables	2,609,072	2,846,144	31,489	7,302
Prepayments	4,878,633	10,437,562	35,040	25,000
Amounts due from related parties				
- trade	153,624	966,325	-	-
- non-trade	156	2,507,395	-	2,507,395
Amount due from a subsidiary	-	-	-	34,500,000
	10,572,687	19,931,444	66,529	37,039,697

(i) Trade receivables

All of the trade receivables are expected to be recovered within one year.

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

	The Group	
	2010	**2009**
	US$	*US$*
Within three months	3,084,826	4,115,149
More than three months but within one year	-	25,194
	3,084,826	4,140,343

11. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	US$	*US$*	*US$*	*US$*
Trade payables	17,537,125	13,717,865	-	-
Other payables and accrued operating expenses	10,855,113	10,428,679	699,793	474,477
Advances from customers	2,821,641	4,342,080	-	-
Amounts due to related parties				
- trade	6,021,797	13,955,614	-	-
- non-trade	1,338	5,247	1,338	-
Amount due to a subsidiary	-	-	97,087	341
	37,237,014	42,449,485	798,218	474,818

(i) Trade payables

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

	The Group	
	2010	**2009**
	US$	*US$*
Within three months	19,604,630	27,330,302
More than three months but within one year	3,952,072	274,538
More than one year but within five years	2,220	68,639
	23,558,922	27,673,479

12 SUBSEQUENT EVENTS

On 25 January 2011, the Group's Board of Directors resolved to relocate one of the Group's factories from Ha Tay province to a new location, as the Group has been informed that the Vietnam government intends to redevelop Ha Tay province. The relocation is expected to be completed by the end of 2012. The capital commitment authorised but not contracted for after the balance sheet date in respect of this relocation and construction of the new factory is US$28.5 million. The authorised amount is an initial estimate and will be subject to regular review by the Group's Board of Directors.

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 and Ha Tay Province of Vietnam. The Group offers a wide range of models, and its 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.

Operation Environment

The Vietnam economic conditions remained uncertain but its domestic motorbike industry continued to grow at a steady pace. According to the statistics from the Vietnam General Statistics Office, gross domestic product (''GDP'') of 2010 recorded a growth rate of 6.8% over the previous year and the consumer price index (''CPI'') for the year grew by 11.8%, whereas number of motorbikes sold in 2010 amounted to 3.3 million units, representing a growth of 14% over the same period of last year. On 10 February 2010, just before Tet (Vietnam Spring Festival), the central bank devalued the currency by 3.4%, following a devaluation of 5.4% in November 2010. The foreign exchange against US$ has been depreciated from US$1:VND18,479 as at 31 December 2009 to VND19,500 at 31 December 2010. As at 21 February 2011, the exchange rate has been further depreciated to US$1: VND20,880 or 7%.

Vietnam has an unstable economy and high inflation rate for a few years. Measures to address the situation have so far focused mainly on adjusting monetary policy and implementing consumer-oriented programmes. Vietnam's economy has seen steady growth, but instability has increased because the economic structure is gravely imbalanced. Nevertheless, the Vietnam government has decided to pay greater attention to economic restructuring and re-examine public spending policy in order to stablise the economy and control inflation.

Business Review

During the financial year of 2010, the Group has achieved successful execution of its business strategy of providing high performance products and high value added services to its high quality demand customers. For the year ended 31 December 2010, an aggregate of approximately 193,500 units (of which approximately 126,000 units and 67,500 units are scooters and cubs respectively) were sold by the Company in Vietnam and approximately 36,900 units were exported to ASEAN countries (mainly the Philippines, Malaysia, Thailand, Indonesia, Singapore, Brunei and Myanmar), representing an increase of 8% and 20% respectively over the previous year.

During 2010, the Group strengthened its distribution network with the opening of 32 flagship outlets in Vietnam. As of 31 December 2010, the Group's extensive distribution network comprised over 330 SYM-authorised stores owned by dealers, covering every province in Vietnam.

Financial Review

Revenue increased from US$217.7 million for the year ended 31 December 2009 to US$246.9 million for the year ended 31 December 2010, and the Group's net profit after tax was US$25.1 million for the year ended 31 December 2010 as compared with US$21.3 million for the year ended 31 December 2009, representing an increase of 13% and 18% respectively. Vietnam's economy experienced recovery from 3rd quarter 2009 onwards, the Group has managed to increase sales quantities and the average selling price of motorbikes has also been improved. Notwithstanding such improvement, the Group has consistently focused on maintaining stringent controls over its operating costs and capital expenditures.

Revenue

Revenue of the Group for the year ended 31 December 2010 increased to US$246.9 million from US$217.7 million for the year ended 31 December 2009, representing an increase of US$29.2 million or 13%. Such increment was due to stable domestic demand in Vietnam during the year of 2010. The Group's domestic sales quantities of scooters increased by 15% for the year ended 31 December 2010 as compared with the year ended 31 December 2009, while overall sales quantities also increased from approximately 210,000 units for the year ended 31 December 2009 to 230,000 units for the year ended 31 December 2010, representing an increase of 9% over the comparative periods. Sales of scooters continued to be the Group's major profit driver which accounting for 67% of total sales, and the principal models were ATTILA-VICTORIA, ELIZABETH, SHARK and JOYRIDE.

In terms of geographical contribution, approximately 89% of total sales were generated from the domestic market in Vietnam for the year ended 31 December 2010. Domestic sales in Vietnam increased 11% from US$197.8 million for the year ended 31 December 2009 to US$220.0 million for the year ended 31 December 2010. Sales in original currency Vietnamese Dong increased by 20% actually, but amount converted to US$ resulted at 11% only as Vietnamese Dong against US$ has been deeply devalued during the year. Due to the increase in the overseas markets demands, export sales increased by US$7.0 million during the year of 2010. The quantity of engines exported increased by approximately 14,000 units from approximately 11,000 units for the year ended 31 December 2009 to approximately 25,000 units for the year ended 31 December 2010.

Cost of Sales

The cost of sales mainly composed of materials and components costs, direct labour and manufacturing overheads, etc. The Group's cost of sales increased by 15%, from US$163.6 million for the year ended 31 December 2009 to US$188.2 million for the year ended 31 December 2010. Such increment was primarily due to the increase in materials, components and labour costs in Vietnam. The Group has increased the usage of components sourced locally and parts imported from China, and reduced cost of new models through re-design, etc. To mitigate the adverse impact on its operations, the Group focused on maintaining stringent controls over its operating costs. As a percentage of total revenue, the Group's cost of sales slightly increased from 75% for the year ended 31 December 2009 to 76% for the year ended 31 December 2010.

Gross Profit and Gross Profit Margin

Despite the increases of materials, components and labor costs and devaluation of Vietnamese Dong as discussed above, the gross profit of the Group increased by 9%, from US$54.1 million for the year ended 31 December 2009 to US$58.7 million for the year ended 31 December 2010. In between such comparative periods, however, the Group's gross profit margin has slightly decreased from 25% to 24%.

Distribution Expenses

The distribution expenses mainly included warranty, advertising, dealers sales incentives and other sales related expenses. The Group's distribution expenses increased by 12%, from US$13.6 million for the year ended 31 December 2009 to US$15.2 million for the year ended 31 December 2010. Such increment was mainly due to the increases in advertising expenses, warranty, sales incentives and supporting fees to distributors, as these were the marketing strategies adopted by the Group to increase its market share in a competitive market.

Technology Transfer Fees
The technology transfer fees increased by 9%, from US$5.9 million for the year ended 31 December 2009 to US$6.5 million for the year ended 31 December 2010. Such increment was largely due to an increase in the sales volume of SYM- branded motorbikes particularly scooters.

Administrative Expenses
The Group's administrative expenses slightly increased by 3%, from US$12.7 million for the year ended 31 December 2009 to US$13.0 million for the year ended 31 December 2010, which accounting for 5% of the Group's total revenue for the year ended 31 December 2010. Such increment was mainly attributable to the increase of staff salaries and related costs. However, the Group consistently focused on maintaining stringent controls over its operating costs.

Other Income/Losses Arising From A Fire
In the year of 2008, a fire broke out in a factory in Vietnam owned by VMEP, a wholly-owned subsidiary of the Company. The fire resulted in losses to the Group's inventories and property, plant and equipment amounted to US$3.0 million. The Group submitted an insurance claim of approximately US$3.0 million in September 2008, and received US$1.0 million insurance proceeds in September 2009. During the year of 2010, the Group received the final insurance proceeds totalling US$1.6 million, which are recognized as other income.

Results from Operating Activities
As a result of the factors discussed above, the Group's profit from operating activities increased by 10%, from US$23.0 million for the year ended 31 December 2009 to US$25.3 million for the year ended 31 December 2010.

Net Financial Income
The Group's net financial income increased by 164%, from US$2.2 million for the year ended 31 December 2009 to US$5.8 million for the year ended 31 December 2010. Such increment was mainly attributable to a significant increase in the Group's interest income from deposits placed with banks in Vietnam with higher rates (i.e. interest rates at 11% to 14%) amounted to US$2.6 million. Exchange losses regarding the deterioration of exchange rate of the Vietnamese Dong against the US$ decreased from US$2.5 million for the year ended 31 December 2009 to US$1.5 million for the year ended 31 December 2010.

Profit for the Year and Profit Margin
As a result of the factors discussed above, the Group's profit for the year, after income tax, increased by 18%, from US$21.3 million for the year ended 31 December 2009 to US$25.1 million for the year ended 31 December 2010, and the Group's net profit margin remained at 10% which is the same as the year of 2009.

Liquidity and Financial Resources
As at 31 December 2010, the Group's net current assets amounted to US$125.1 million (31 December 2009: US$122.3 million) which consisted of current assets amounting to US$167.1 million (31 December 2009: US$175.6 million) and current liabilities amounting to US$42.0 million (31 December 2009: US$53.3 million).

As at 31 December 2010, the interest-bearing borrowings repayable within one year was US$1.1 million which was denominated in US$ (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 31 December 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 31 December 2010, the gearing ratio was 1% (31 December 2009: 5%) calculated by dividing total interest-bearing borrowings by total equity.

As at 31 December 2010, the cash and bank balances (including pledged bank deposits), amounted to US$129.8 million, mainly including US$80.1 million which was originally denominated in Vietnamese Dong, US$47.1 million which was denominated in US$ and US$2.6 million which was originally denominated in HK$, NTD and IDR (31 December 2009: US$116.5 million, mainly including US$84.8 million which was originally denominated in Vietnamese Dong and US$ 31.3 million which was denominated in US$).

As at 31 December 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 31 December 2010, the Group had no pledged bank deposits and available-for-sale financial assets (2009: US$1.6 million and US$8.4 million respectively) were pledged with banks as security for certain banking facilities.

Exposure to Foreign Exchange Risk
There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnamese Dong or US$. The Group did not enter into any financial derivative instruments to hedge against the foreign exchange currency exposures. The Vietnamese Dong has been depreciating since 2008, and the Vietnam government has taken measures to address the situation focused mainly on adjusting monetary policy and implementing consumer-oriented programmes. Vietnam's economy has seen steady growth, but instability has increased because the economic structure is gravely imbalanced. However, Vietnam government has decided to pay greater attention to economic restructuring and re-examine public spending policy in order to stablise the economy and control inflation.

Capital Commitments and Contingent Liabilities
As at 31 December 2010, the capital commitments of the Group amounted to US$0.6 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 31 December 2010.

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 31 December 2010, the Group had 2,210 employees (2009: 2,066). The total amount of salaries and related costs for the year ended 31 December 2010 amounted to US$13.3 million (2009: US$11.3 million).

Prospects

Looking ahead, the Vietnam macro economic conditions will remain uncertain. As the Vietnam 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. Most countries in the ASEAN region, particularly Malaysia and the Philippines, continue to achieve economic improvements and their motorbike industries will also grow at faster pace 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 commenced operations last year, this will greatly improve the Group competitive strength. We plan to introduce five to six new or modified motorbike models in 2011, the major marketing strategies will be focused on higher sale margin scooter market mainly, strengthening ATTILA series models in leading female segment, deploy larger engine capacity models such as SHARK 170cc, promote SHARK and JOYRIDE models to further develop male segment, and introduce "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 Malaysia, the Philippines and Thailand.

The Vietnam government has planned an ambitious plan for Hanoi's development as it would merge with *some neighbouring provinces* included Ha Tay province for sustainable development for Hanoi. The Group has a manufacturing and assembly plant situated in Ha Tay province which is also included in the scope of urban development plan of Hanoi capital. The Group has been informed by the Vietnam government authority that the Vietnam government intends to redevelop the Ha Tay province and its plant has to be relocated to a new location in Hanoi. The plant relocation is currently under planning and the group expected it would be completed before the end of 2012. The Group hopes to coordinate with the Vietnam Government to redevelop the original plant site in Ha Tay province, this plan is under preliminary internal evaluation only and specific schedule has yet to be assessed.

The management is optimistic that the Group is able to sustain a continuous growth of the Group's business in 2011 and beyond. This coupled with our first-class research and development capabilities and healthy financial position, will enable the Group to achieve robust performance in the coming years. 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 issuance of new shares by the Company in December 2007, net of listing expenses, were approximately US$76.7 million. As at 31 December 2010, the net proceeds were utilized in the following manner:

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 31 December 2010 US$' million
Construction of research and development centre in Vietnam	15.0	11.7	3.3
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	21.1	55.6

The unutilized balance was placed as deposits with several reputable financial institutions. For further details, please see the paragraph above headed "Liquidity and Financial Resources".

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, having considered, amongst other things, the findings of reviews and/or audits conducted by 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 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the financial year ended 31 December 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. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2010.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 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.

FINAL DIVIDEND

Since the economic conditions in Vietnam will remain uncertain and the Company will relocate one of the Group's factories from the Ha Tay province in Hanoi to a new location, which require cash for capital expenditures and working capital, the Board recommends reserving the cash resources. The Board therefore does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: US$0.022 per share equivalent to HK$0.17 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2011 to 23 May 2011 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the attendance of the annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30p.m. on 17 May 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2010, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report 2010 of the Company will also be published on the aforesaid websites in due course.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting will be held on 23 May 2011. Notice of the Annual General Meeting will be published and issued to the Shareholders 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, 25 March 2011

As at the date of this announcement, the board of directors of the Company (the "Directors") 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. Chiang Shih Huang 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.

For the purpose of this announcement, amounts denominated in US$ have been converted into HK$ at an exchange rate of US$1.00 : HK$7.8 (where relevant).