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 2009

Financial Highlights : **（expressed in US$ million）**

	2009	2008	Change
• Total revenue	217.7	216.8	+0.4%
• Gross profit	54.1	48.1	+12%
• Net profit after tax	21.3	8.0	+166%
• Earnings per share -basic *(US$)*	0.023	0.009	+166%
• Proposed final dividend per share *(US Cent)*	2.2	0.26	+746%
• Cash and bank balances	116.5	60.3	
• Available-for-sale financial assets	8.4	75.6	

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 (the "Group") for the year ended 31 December 2009 together with the comparative figures for the immediately preceding financial year. The Board also recommends the payment of a final dividend per share of HK$0.17 or US Cent 2.2 for the year ended 31 December 2009.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 *US$*	2008 *US$*
Revenue	2	217,700,791	216,814,157
Cost of sales		(163,623,809)	(168,735,370)
Gross profit		54,076,982	48,078,787
Other income		1,451,660	598,681
Distribution expenses		(13,647,218)	(20,276,910)
Technology transfer fees		(5,940,366)	(5,157,019)
Administrative expenses		(12,666,106)	(15,606,591)
Other expenses		(254,467)	(19,460)
Losses arising from a fire		-	(2,968,931)
Results from operating activities		23,020,485	4,648,557
Finance income		5,011,028	11,113,801
Finance expenses		(2,800,981)	(3,776,612)
Net finance income	3 (c)	2,210,047	7,337,189
Share of profits of an equity accounted investee		158,041	80,568
Profit before income tax	3	25,388,573	12,066,314
Income tax expenses	4	(4,100,891)	(4,069,483)
Profit for the year		21,287,682	7,996,831
Attributable to:			
Equity holders of the Company		21,287,682	7,960,774
Minority interests		-	36,057
Profit for the year		21,287,682	7,996,831
Other comprehensive income for the year (after tax):			
Exchange differences on translation of financial statements of overseas subsidiaries		(4,183,427)	(7,053,206)
Total comprehensive income for the year		17,104,255	943,625
Attributable to:			
Equity holders of the Company		17,104,255	907,568
Minority interests		-	36,057
Total comprehensive income for the year		17,104,255	943,625
Earnings per share			
– basic	6	0.023	0.009
– diluted	6	0.023	0.009

Consolidated Balance Sheet

At 31 December 2009

	Note	2009 US$	2008 US$
Assets			
Property, plant and equipment	7	39,334,108	41,327,729
Intangible assets		78,893	185,779
Lease prepayments		766,158	3,135,565
Goodwill		8,751	8,751
Investment in an equity accounted investee		771,816	773,767
Time deposit		3,000,000	-
Deferred tax assets		1,052,266	1,129,035
Total non-current assets		45,011,992	46,560,626
Inventories	8	33,720,430	33,654,233
Trade receivables, other receivables and prepayments	9	19,931,444	19,046,202
Income tax recoverable		37,168	866,615
Available-for-sale financial assets	10	8,361,213	75,558,351
Pledged bank deposits		1,564,695	7,916,395
Time deposits maturing after three months		22,651,658	4,902,562
Cash and cash equivalents		89,301,938	47,439,732
Total current assets		175,568,546	189,384,090
Total assets		220,580,538	235,944,716
Liabilities			
Trade and other payables	11	42,449,485	22,281,596
Interest-bearing borrowings		7,973,680	39,794,029
Income tax payables		1,453,062	33,409
Provisions		1,422,463	1,786,124
Total current liabilities		53,298,690	63,895,158
Interest-bearing borrowings		19,180	44,703
Total non-current liabilities		19,180	44,703
Total liabilities		53,317,870	63,939,861
Net current assets		122,269,856	125,488,932
Total assets less current liabilities		167,281,848	172,049,558
Net assets		167,262,668	172,004,855
Equity			
Paid-in capital		1,162,872	1,162,872
Reserves		166,099,796	170,841,983
Total equity attributable to equity holders of the Company		167,262,668	172,004,855
Total liabilities and equity		220,580,538	235,944,716

NOTES:

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 ("IASs") and Interpretations issued by the International Accounting Standard Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the the Stock Exchange of Hong Kong Limited.

Up to the date of issue of these financial statements, the IASB has issued the following IFRSs amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2009 and which have not yet been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations as a result of Improvements to International Financial Reporting Standards 2008*	1 July 2009
Revised IFRS 1, *First-time adoption of International Financial Reporting Standards*	1 July 2009
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 July 2009
Amended IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendment to IAS 39, *Financial instruments: Recognition and measurement - Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to IFRSs 2009	Dealt with on a standard by standard basis; generally 1 January 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Additional exemptions for first-time adopters*	1 January 2010
Amendments to IFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*	1 January 2010
Amendments to IAS 32, *Financial instruments: Presentation - Classification of rights issues*	1 February 2010

IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopted*	1 July 2010
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
IFRS 9, *Financial instruments* Basis for conclusion on IFRS 9 Amendments to other IFRSs and guidance on IFRS 9	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 2009 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. On first-time adoption of IFRS 8, Operating segments and 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 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 consisting of 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.

- Mould and repair service: 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

In accordance with IFRS 8, segment information disclosed in the financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, 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.

	Year ended 31 December 2009			
	Manufacture and sales of motorbikes	Manufacture and sales of spare parts and engines	Moulds and repair services	Total
	US$	*US$*	*US$*	*US$*
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

	Year ended 31 December 2008			
	Manufacture and sales of motorbikes	Manufacture and sales of spare parts and engines	Moulds and repair services	Total
	US$	*US$*	*US$*	*US$*
Revenue from external customers	187,736,833	28,746,717	330,607	216,814,157
Inter-segment revenue	-	73,164,727	1,674,390	74,839,117
Reportable segment revenue	187,736,833	101,911,444	2,004,997	291,653,274
Reportable segment profits				
〈Adjusted EBIT〉	7,668,385	4,255,335	336,288	12,260,008
Interest income	4,188,075	3,600,711	44,647	7,833,433
Interest expense	(410,724)	(291,654)	(5,561)	(707,939)
Depreciation and amortisation for the year	(4,115,503)	(3,648,166)	(127,791)	(7,891,460)
Reportable segment assets	61,885,299	32,804,765	1,862,084	96,552,148
Reportable segment liabilities	14,973,766	7,830,664	267,843	23,072,273

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

	2009	2008
	US$	*US$*
Revenue		
Reportable segment revenue	301,351,878	291,653,274
Elimination of inter-segment revenue	(83,651,087)	(74,839,117)
Consolidated revenue	217,700,791	216,814,157
Profit		
Reportable segment profit	25,456,197	12,260,008
Elimination of inter-segment profits	-	(222,607)
Reportable segment profit derived from Group's external customers	25,456,197	12,037,401
Net finance income	2,210,047	7,337,189
Share of profits of an equity accounted investee	158,041	80,568
Losses arising from fire	-	(2,968,931)
Unallocated corporate expenses	(2,435,712)	(4,419,913)
Consolidated profit before income tax	25,388,573	12,066,314

	At 31 December 2009	At 31 December 2008
	US$	*US$*
Assets		
Reportable segment assets	93,596,977	96,552,148
Elimination of inter-segment receivables	(2,032,705)	(1,533,195)
	91,564,272	95,018,953
Investment in an equity accounted investee	771,816	773,767
Available-for-sale financial assets	8,361,213	75,558,351
Pledged bank deposits	1,564,695	7,916,395
Time deposits maturing after three months		
- non-current	3,000,000	-
- current	22,651,658	4,902,562
Cash and cash equivalents	89,301,938	47,439,732
Unallocated corporate assets	3,364,946	4,334,956
Consolidated total assets	220,580,538	235,944,716
Liabilities		
Reportable segment liabilities	44,840,624	23,072,273
Elimination of inter-segment payables	(1,443,153)	(763,340)
	43,397,471	22,308,933
Interest-bearing borrowings	7,992,860	39,838,732
Income tax payables	1,453,062	33,409
Unallocated corporate liabilities	474,477	1,758,787
Consolidated total liabilities	53,317,870	63,939,861

(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**	
	2009 *US$*	*2008* *US$*	*2009* *US$*	*2008* *US$*
Vietnam (place of domicile)	197,777,002	193,994,229	39,651,363	41,702,872
Other countries*	19,923,789	22,819,928	542,205	593,154
	217,700,791	216,814,157	40,193,568	42,296,026

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

3. PROFIT BEFORE INCOME TAX

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

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

	2009 *US$*	**2008** *US$*
Salaries, wages and other benefits	10,344,852	10,152,959
Equity-settled share-based payment expenses	264,077	745,435
Contributions to defined contribution plans	533,867	524,179
Severance pay allowance	177,132	715,568
	11,319,928	12,138,141

(b) Other items

Amortisation of lease prepayments/intangible assets	221,102	459,122
Auditors' remuneration	341,761	321,761
Cost of inventories recognised as expenses *(i)*	162,364,508	166,328,731
Depreciation of property, plant and equipment	7,310,325	7,432,338
Equity-settled share-based payment expenses		
- employees of the Group	264,077	745,435
- employees of the ultimate holding company	198,931	528,706
Government grants	(804,164)	(1,327,194)
Gain on disposal/write off of property, plant and equipment (net)	(38,368)	(25,796)
Loss of property, plant and equipment as a result of fire	-	238,754
Loss of inventories as a result of fire	-	2,730,177
Operating lease of properties	507,040	343,832
Research and development expenses *(ii)*	7,142,949	7,284,714
Technical consultancy fee	404,384	450,000
Warranty expenses	2,966,424	3,389,433

(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 3(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 3(a) for each of these types of expenses. No development expenditure was capitalised for the year ended 31 December 2009 (2008: US$ nil).

(c) Finance income and expenses

	2009	**2008**
	US$	*US$*
Interest income from banks	4,808,552	8,061,654
Interest income from assets-backed securities	-	2,946,057
Dividend income from mutual funds	202,476	106,090
Finance income	5,011,028	11,113,801
Interest paid and payable to banks	(311,343)	(1,183,730)
Net foreign exchange losses	(2,489,638)	(2,592,882)
Finance expenses	(2,800,981)	(3,776,612)
Net finance income	2,210,047	7,337,189

4. INCOME TAX EXPENSES

Recognised in the consolidated income statement

Current tax expenses		
– current tax	4,154,939	1,796,462
– (over)/under-provision in prior years	(57,827)	2,882,946
Deferred tax expense		
– origination and reversal of temporary differences	3,779	(609,925)
	4,100,891	4,069,483

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 2009.

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 profits from manufacturing and sales of motorbikes, spare parts, assembling and sales of engines, and services rendered. 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. (formerly known as "C.Q.S. 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, the applicable tax rate for Chin Zong Trading Co., Ltd. is 15% for the amount of net profit below New Taiwan Dollar ("NT$") 100,000, and 25% for the amount of net profit at or above NT$100,000. The applicable tax rate for the amount of net profit at or above NT$100,000 will decrease to 20% with effect from 2010.

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.

5. DIVIDEND

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

	2009	**2008**
	US$	*US$*
Special dividend declared and paid of US$0.0219 per ordinary share (2008:US$ nil)	19,910,400	-
Final dividend proposed after the balance sheet date of US$0.0219 (2008:US$0.0026) per ordinary share*	19,910,400	2,399,050
	39,820,800	2,399,050

* *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

Final dividend in respect of the previous year, declared and paid during the year of US$0.0026 per ordinary share (2008: US$0.0218)	2,399,050	19,782,769

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$21,287,682 (2008: US$7,960,774) and the weighted average of 907,680,000 ordinary shares (2008: 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 2009 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office Machinery, moulds and equipment	Electrical, equipment, furniture and fittings	water and utility systems	Motor vehicles	Assets under construction	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Cost							
At 1 January 2008	12,881,335	66,600,905	1,713,746	5,809,904	1,299,267	3,346,535	91,651,692
Additions	204,417	7,408,296	174,737	212,228	182,754	4,281,463	12,463,895
Through acquisition of a subsidiary	10,271	688,488	13,710	-	46,131	-	758,600
Transfer from assets under construction	1,789,390	1,195,153	-	-	-	(2,984,543)	-
Disposals	(233,791)	(603,304)	(57,198)	(9,803)	(179,357)	-	(1,083,453)
Effect of movements in exchange rates	(1,159,288)	(6,051,218)	(151,224)	(497,264)	(116,959)	(336,040)	(8,311,993)
At 31 December 2008	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
Accumulated depreciation							
At 1 January 2008	3,542,431	42,252,546	974,333	4,543,695	867,880	-	52,180,885
Depreciation charge for the year	522,911	6,305,019	257,022	198,930	148,456	-	7,432,338
Disposals	(32,844)	(597,170)	(49,322)	(5,801)	(105,957)	-	(791,094)
Effect of movements in exchange rates	(318,644)	(3,796,387)	(90,811)	(390,354)	(74,921)	-	(4,671,117)
At 31 December 2008	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
Carrying amount							
At 31 December 2009	7,357,742	23,661,444	493,241	1,067,898	345,119	6,408,664	39,334,108
At 31 December 2008	9,778,480	25,074,312	602,549	1,168,595	396,378	4,307,415	41,327,729

In 2009, the Group disposed of one of its office buildings with a carrying amount of US$1,464,756.

8. INVENTORIES

	2009	2008
	US$	*US$*
Raw materials	25,297,180	25,151,664
Tools and supplies	575,235	867,625
Work in progress	568,774	905,644
Finished goods	5,686,782	3,203,798
Merchandise inventories*	4,096,922	5,883,317
	36,224,893	36,012,048
Allowance for inventory impairment	(2,504,463)	(2,357,815)
Net realisable value	33,720,430	33,654,233

* *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	161,729,258	165,915,018
Allowance for inventory impairment	635,250	413,713
	162,364,508	166,328,731

Movements in allowance for inventory impairment were as follows:

At 1 January	2,357,815	2,295,395
Additions	635,250	413,713
Acquisition of a subsidiary	-	180,319
Utilisation	(360,859)	(531,612)
Effect of movements in exchange rates	(127,743)	-
At 31 December	2,504,463	2,357,815

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2009	2008
	US$	*US$*
Trade receivables	3,174,018	5,357,300
Non-trade receivables	2,846,144	3,664,225
Prepayments	10,437,562	8,534,211
Amounts due from related parties		
- trade	966,325	1,211,919
- non-trade	2,507,395	278,547
	19,931,444	19,046,202

The Group's exposure to credit risk is minimal as the Group generally offers no credit terms to domestic customers, which accounted for approximately 92% (2008: 89%) of total customers. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

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:

	2009	**2008**
	US$	*US$*
Within three months	4,115,149	6,057,660
More than three months but within one year	25,194	511,559
	4,140,343	6,569,219

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets are in respect of the following:

Assets-backed securities	-	68,100,000
Mutual funds *(i)*	8,361,213	7,458,351
	8,361,213	75,558,351

(i) Mutual funds

The credit ratings of the mutual funds were AAAm*. The portfolio of the mutual funds' assets comprise commercial paper, certificates of deposit, agency notes and bonds, time deposits and repurchase orders, and floating rate notes.

The fund issuer is an open-ended investment company which is listed on the Irish Stock Exchange. Details of the funds held by the Group and the Company as at 31 December are as follows:

Fund issuer	**2009**	**2008**
	US$	*US$*
Institutional Cash Series Plc.		
- Institutional US Dollar Liquidity Fund denominated in US$	8,361,213	7,403,365
- Institutional Euro Liquidity Fund denominated in Euro	-	54,986
At fair value	8,361,213	7,458,351

The mutual funds as at 31 December 2009 were pledged to a bank as collateral of interest bearing borrowings.

The Group follows the guidance of IAS 39, *Financial Instruments: Recognition and Measurement*, when determining whether an investment in available-for-sale financial assets is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount, and the expected time span the Group will hold on to this investment.

* *The credit ratings are based on rating agency, Standard and Poors' rating.*

11. TRADE AND OTHER PAYABLES

	2009 *US$*	2008 *US$*
Trade payables	13,717,865	8,878,956
Other payables and accrued operating expenses	10,428,679	6,978,450
Advances from customers	4,342,080	2,576,120
Amounts due to related parties		
- trade	13,955,614	3,848,070
- non-trade	5,247	-
	42,449,485	22,281,596

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

	2009 *US$*	2008 *US$*
Within three months	27,330,302	9,745,234
More than three months but within one year	274,538	2,677,091
More than one year but within five years	68,639	304,701
	27,673,479	12,727,026

12. CONTINGENT ASSET/LIABILITY

Contingent asset

In 2008, 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. 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 from the insurance company. However, the insurance company has yet to confirm the final compensation amounts. No asset is recognised in respect of the remaining insurance claim.

Contingent liability

In 2008, the Ministry of Finance applied in practice for the first time specific provisions of Circular 40/2008/tt-BTC ("Circular 40") which provides guidelines on customs valuation of import and export goods for customs duty purposes. Under Circular 40, companies that import goods and pay royalty and license fees related to the goods being imported that have to be paid as a condition of sale of the goods being valued, to the extent that such royalty and license fees are not included in the price of the imported goods may be required to add the royalty and license fee payments to the customs value of the imported goods for customs duty purposes.

In January 2010, the General Department of Customs of Vietnam has issued certain notices which indicate that it is not their current intention to add royalty and license fees related to goods being imported to the custom value of the imported goods for custom duty purposes. However, the impact of the application of Circular 40 on the Group is still uncertain in view of the varying interpretations of this new circular as well as the lack of authoritative precedents in the application of this regulation.

Based on the current available information, the management believes that no further significant liabilities are probable of arising under Circular 40.

MANAGEMENT DISCUSSION & ANALYSIS

The Group is one of the leading manufacturers of scooters and cub motorbikes in Vietnam, manufacturing and assembly operations are located in Dong Nai Province and Ha Tay Province of Vietnam. 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

Despite the global economic downturn, Vietnamese economy after touching the bottom in early 2009 started to rebound and successfully achieved a steady growth in the second quarter. Driven by a series of economic stimulus measures implemented by the Vietnamese government, Vietnam's gross domestic product (''GDP'') of 2009 recorded a growth rate of 5.2% over the previous year. According to the statistics from Vietnam Association of Motorbike Manufacturers, the number of motorbikes sold nationwide in 2009 amounted to 3 million units, representing a growth of 7% over the same period of last year.

The financial year 2009 has been a challenging year with opportunities for the Group, given the global economic downturn. After experiencing a very difficult operating condition in the first half of 2009, the Group showed encouraging performance improvement in the second half of 2009. Both revenue and profit in the second half of 2009 increased by over 39% and 326% respectively over the first half of 2009 and thereby recovering the Group's overall performance in the financial year 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 year ended 31 December 2009, an aggregate of approximately 180,000 units (of which approximately 109,800 units and 70,200 units of scooters and cubs respectively) were sold by the Company in Vietnam and approximately 30,700 units were exported to ASEAN countries (mainly the Philippines, Indonesia, Singapore, Brunei, Myanmar and Malaysia), representing an increase of 14% and 18% respectively over the previous year.

During 2009, the Group strengthened its distribution network with the opening of 3 flagship outlets. As of 31 December 2009, the Group's extensive distribution network comprised over 286 SYM-authorised stores owned by dealers, covering every province in Vietnam.

Financial Review

Revenue slightly increased from US$216.8 million for the year ended 31 December 2008 to US$217.7 million for the year ended 31 December 2009, and the Group's net profit after tax was US$21.3 million for the year ended 31 December 2009 as compared with US$8.0 million for the year ended 31 December 2008, representing an increase of 0.4% and 166% 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 year ended 31 December 2009 slightly increased to US$217.7 million from US$216.8 million for the year ended 31 December 2008. This increase was due to stable domestic demand in Vietnam during the year of 2009. The Group domestic sales quantities of scooters increased by 14% for the year ended 31 December 2009 as compared with the year ended 31 December 2008, while overall sales quantities also increased by 14% for the same comparative period. Sales of scooters continued to be the Group's major profit driver which accounting for 68% of total sales, and the principal models were Attila-Victoria, Elizabeth and Shark. In terms of geographical contribution, approximately 91% of total sales were generated from the domestic market in Vietnam for the year ended 31 December 2008.

Cost of Sales

The Group's cost of sales decreased by 3%, from US$168.7 million for the year ended 31 December 2008 to US$163.6 million for the year ended 31 December 2009. This decrease was primarily due to increasing the usage of components sourced locally and 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 78% for the year ended 31 December 2008 to 75% in the year ended 31 December 2009.

Gross Profit and Gross Profit Margin

As a result of the factors discussed above, the gross profit of the Group increased by 12%, from US$48.1 million for the year ended 31 December 2008 to US$54.1 million for the year ended 31 December 2009. Between such comparative period, the Group's gross profit margin increased from 22% to 25%, mainly due to increased sales of higher margin scooters as compared to cubs which have relatively lower margins.

Distribution Expenses

The Group's distribution expenses decreased by 33%, from US$20.3 million for the year ended 31 December 2008 to US$13.6 million for the year ended 31 December 2009. This decrease was due to the decrease in advertising expenses of US$2.8 million, warranty of US$0.4 million and sales incentives and supporting fees to distributors of US$0.8 million.

Technology Transfer Fees

The technology transfer fees increased by 13%, from US$5.2 million for the year ended 31 December 2008 to US$5.9 million for the year ended 31 December 2009. This increase was largely due to an increase in the sales volume of SYM- branded motorbikes particularly scooters.

Administrative Expenses

The Group's administrative expenses decreased by 19%, from US$15.6 million for the year ended 31 December 2008 to US$12.7 million for the year ended 31 December 2009, accounting for 6% of the Group's total revenue for the year ended 31 December 2009. This was principally as a consequence of the decrease in equity settled share-based payment expenses attributable to the valuation of granted share options of US$0.8 million, provision for severance pay allowance US$0.5 million and legal and compliance expenses of US$0.6 million.

Other Income/Losses Arising From A Fire

The Group received an insurance compensation amounted to US$1 million during the year, this was the first received installment of our claim from insurance company total US$3.0 million in respect of losses on inventories and property, plant and equipment as arising from fire amounted to US$3.0 million in 2008.

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Profit from Operating Activities

As a result of the factors discussed above, the Group's profit from operating activities increased by 389%, from US$4.7 million for the year ended 31 December 2008 to US$23.0 million for the year ended 31 December 2009.

Net Financial Income

The Group's net financial income decreased by 70%, from US$7.3 million for the year ended 31 December 2008 to US$2.2 million for the year ended 31 December 2009. This decrease was mainly attributable to a significant decrease in the Group's interest income from banks, there was no interest income received from assets-backed securities which were disposed of with no gain or loss at the beginning of the year. Exchange losses regarding the deterioration of exchange rate of the Vietnam Dong against the US dollar for the year amounted to US$2.5 million was similar with those of preceding year.

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 166%, from US$8.0 million for the year ended 31 December 2008 to US$21.3 million for the year ended 31 December 2009, and the Group's net profit margin increased from 4% for the year ended 31 December 2008 to 10% for the year ended 31 December 2009.

Liquidity and Financial Resources

As at 31 December 2009, the Group's net current assets amounted to US$122.3 million (31 December 2008: US$125.5 million) which consisted of current assets amounting to US$175.6 million (31 December 2008: US$189.4 million) and current liabilities amounting to US$53.3 million (31 December 2008: US$63.9 million).

As at 31 December 2009, the interest-bearing borrowings repayable within one year was US$8.0 million, of which US$2.0 million was denominated in US$ and US$6.0 million was originally denominated in HK$ (31 December 2008: US$39.8 million, of which US$15.1 million was denominated in US$ and US$24.7 million was originally denominated in HK$). As at 31 December 2009, the Group had interest-bearing borrowings repayable beyond one year amounting to US$0.02 million which was denominated in US$ (31 December 2008: US$0.04 million which was denominated in US$). As at 31 December 2009, the gearing ratio was 5% (31 December 2008: 23%) calculated by dividing total interest-bearing borrowings by total equity.

As at 31 December 2009, the cash and bank balances (including pledged bank deposits), amounted to US$116.5 million, mainly including US$84.8 million which was originally denominated in Vietnam Dong and US$ 31.3 million which was denominated in US$ (31 December 2008: US$60.3 million, including US$38.6 million which was originally denominated in Vietnam Dong, US$12.3 million which was denominated in US$, US$5.0 million which was originally denominated in HK$ and US$4.3 million which was originally denominated in NTD).

As at 31 December 2009, the Group had placed with a reputable financial institution available-for-sale financial assets amounting to US$8.4 million (31 December 2008: US$75.6 million) which were mainly denominated in US$. These financial assets are mutual funds which predominantly had a credit rating of AAAm and were not credit-impaired.

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 2009, pledged bank deposits amounting to US$1.6 million (2008: US$7.9 million) and available-for-sale financial assets amounting to US$8.4 million (2008: US$68.1 million) 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 Vietnam Dong or US dollars. The Group did not enter into any financial derivative instruments to hedge against the foreign exchange currency exposures. The Vietnam Dong has been depreciating since 2008, but the Vietnam government has managed to stabilise it by adopting stringent fiscal and monetary measures. The reform of the Vietnam Dong exchange rate regime benefited the Group as a whole as the revenue from the business operations of the Group is mainly denominated in Vietnam Dong.

Capital Commitments and Contingent Liabilities
As at 31 December 2009, the capital commitments of the Group amounted to 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.

Other than the contingent liabilities as set out in note 12, the Group had no significant contingent liabilities as at 31 December 2009.

Contingent Asset
In 2008, 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. The Group submitted an insurance claim of approximately US$3.0 million in September 2008, and received an amount of US$1.0 million in September 2009 from the insurance company. 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 31 December 2009, the Group had 2,006 employees (2008: 1,844). The total amount of salaries and related costs for the year ended 31 December 2009 amounted to US$11.3 million (2008: US$12.1 million).

Prospects
Looking ahead to 2010, the Vietnam's economy will continue to grow at a steady and rapid pace. Therefore, the motorbike industry is also expected to have a faster growth in 2010.

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. To drive further growth for the Group's overseas business, we will continue to devote efforts to expand the market of the Assoication of South East Asian Nations, particularly the Philippines and Malaysia.

The construction of the Group's new research and development centre in Dong Nai Province has already completed and is expected to commence operations in April 2010. This approximately 300,000 square metres facility will include a test-drive circuit for motorbikes along with the latest emissions testing equipment. With this advanced equipment, the Group will be 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.

The management is optimistic that the Group is able to sustain a continuous growth of the Group's business in 2010 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 2009, the net proceeds were utilized in the following manner:

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 31 December 2009 US$' million
Construction of research and development centre in Vietnam	15.0	8.7	6.3
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	18.1	58.6

The unutilized balance was placed as deposits and available-for-sale financial assets 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 Directors, 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 2009.

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 2009.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2009 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

The Board has resolved to recommend the payment of a final dividend of US$0.022 per share (equivalent to HK$0.17 per share) for the year ended 31 December 2009 (2008: US$0.0026 per share or equivalent to HK$0.02 per share) which is expected to be paid on or before 20 May 2010 to the Shareholders whose names appear on the register of members of the Company at the close of business on 28 April 2010, subject to final approval at the annual general meeting (the "Annual General Meeting") of the Company to be held on 13 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 April 2010 to 28 April 2010 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, 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 23 April 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2009, 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 2009 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 13 May 2010. 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, 30 March 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.

For the purpose of this announcement, amounts denominated in US$ have been converted into HK$ at an exchange rate of US$1.00 : HK$7.75 (where relevant).