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 2012

Financial Highlights：		**(expressed in US$ million)**	
	2012	**2011**	change
· Total revenue	204.3	270.2	-24%
· Gross profit	22.3	47.4	-53%
· Net profit after tax	0.7	17.2	-96%
· Earnings per share -basic *(US$)*	0.001	0.019	-96%
· Proposed final dividend per share *(US$)*	0	0.0057	
· Time deposits, cash and bank balances	120.3	111.1	

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 2012 together with the comparative figures for the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 US$	2011 US$
Revenue	2	204,343,764	270,234,336
Cost of sales		(181,999,409)	(222,869,292)
Gross profit		22,344,355	47,365,044
Other income		385,916	545,590
Distribution expenses		(14,279,677)	(16,163,278)
Technology transfer fees		(4,518,351)	(6,899,833)
Administrative expenses		(11,136,074)	(12,915,391)
Other expenses		(227,262)	(40,698)
Results from operating activities		(7,431,093)	11,891,434
Finance income		8,590,132	10,081,397
Finance costs		(8,434)	(114,325)
Net finance income	3(a)	8,581,698	9,967,072
Share of profit of an associate, net of tax		53,588	211,065
Profit before taxation	3	1,204,193	22,069,571
Income tax	4	(459,422)	(4,915,908)
Profit for the year		744,771	17,153,663
Other comprehensive income for the year (after tax):			
Exchange differences on translation of financial statements of overseas subsidiaries		912,305	(9,416,863)
Total comprehensive income for the year attributable to equity shareholders of the Company		1,657,076	7,736,800
Earnings per share			
- basic and diluted	5	0.001	0.019

Consolidated Statement of Financial Position

At 31 December 2012

	Note	2012 *US$*	2011 *US$*
Non-current assets			
Property, plant and equipment	6	29,395,797	34,328,919
Intangible assets		239,934	147,557
Lease prepayments		6,393,964	6,652,976
Investment in an associate		677,338	710,756
Deferred tax assets		734,143	7,602
		37,441,176	41,847,810
Current assets			
Inventories	7	31,943,920	39,495,162
Trade receivables, other receivables and prepayments	8	16,359,364	11,461,058
Income tax recoverable		11,082	10,628
Investments		3,000,000	3,000,000
Derivatives		95,496	15,000
Time deposits maturing after three months		65,425,866	45,204,411
Cash and cash equivalents		54,885,605	65,896,469
		171,721,333	165,082,728
Total assets		209,162,509	206,930,538
Current liabilities			
Trade and other payables	9	34,828,939	28,616,578
Interest-bearing borrowings		-	410,549
Income tax payables		625,716	674,481
Provisions		1,785,268	1,809,934
		37,239,923	31,511,542
Net current assets		134,481,410	133,571,186
Total assets less current liabilities		171,922,586	175,418,996
Non-current liabilities			
Other payables		20,290	-
		20,290	-
Net assets		171,902,296	175,418,996
Capical and reserves			
Share capital		1,162,872	1,162,872
Reserves		170,739,424	174,256,124
Total equity attributable to equity shareholders of the Company		171,902,296	175,418,996
Total liabilities and equity		209,162,509	206,930,538

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 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 of Hong Kong Limited.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. These include the amendments to Amendments to IFRS 7, Financial instruments: *Disclosures – Transfers of financial assets.* The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments. None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not 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
Amendments to IAS 1, *Presentation of financial statements - Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures - Disclosures - Offsetting financial assets and financial liabilities*	1 January 2013

Amendments to IAS 32, *Financial instruments: Presentation - Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

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 consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group") 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 derivative financial instruments are stated at fair value as explained in the accounting policy.

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.

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.

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacture and sales of motorbikes, related spare parts and engines and provision of motorbike maintenance services.

Revenue represents the sales value of motorbikes, spare parts and engines supplied to customers, and revenue from moulds and repair services. The amount of each significant category of sales recognised in revenue during the year is as follows:

	2012	**2011**
	US$	*US$*
Sales of motorbikes	174,359,604	240,560,976
Sales of spare parts and engines	29,743,130	29,561,532
Revenue from moulds and repair services	241,030	111,828
	204,343,764	270,234,336

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed below:

(b) 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, Thailand, Myanmar 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.

(i) 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, 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 2012		
Revenue from external customers	174,359,604	29,743,130	241,030	204,343,764
Inter-segment revenue	-	63,519,343	915,053	64,434,396
Reportable segment revenue	174,359,604	93,262,473	1,156,083	268,778,160
Reportable segment loss (Adjusted EBIT)	(4,399,681)	(1,138,280)	(82,705)	(5,620,666)
Interest income	5,965,685	1,008,743	190,183	7,164,611
Interest expense	-	(8,434)	-	(8,434)
Depreciation and amortisation for the year	(6,280,087)	(1,734,668)	(111,772)	(8,126,527)
Reportable segment assets	53,358,246	31,600,074	2,396,083	87,354,403
Reportable segment liabilities	26,595,228	11,692,329	210,191	38,497,748
		Year ended 31 December 2011		
Revenue from external customers	240,560,976	29,561,532	111,828	270,234,336
Inter-segment revenue	2,482	94,859,433	1,535,067	96,396,982
Reportable segment revenue	240,563,458	124,420,965	1,646,895	366,631,318
Reportable segment profits (Adjusted EBIT)	7,967,981	6,362,244	231,672	14,561,897
Interest income	5,586,271	4,042,669	192,410	9,821,350
Interest expense	-	(29,672)	-	(29,672)
Depreciation and amortisation for the year	(4,567,276)	(3,815,286)	(109,910)	(8,492,472)
Reportable segment assets	57,053,583	35,201,395	1,109,377	93,364,355
Reportable segment liabilities	20,417,464	10,065,780	254,817	30,738,061

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

	2012 *US$*	**2011** *US$*
Revenue		
Reportable segment revenue	268,778,160	366,631,318
Elimination of inter-segment revenue	(64,434,396)	(96,396,982)
Consolidated revenue	204,343,764	270,234,336
Profit		
Reportable segment (loss)/profit	(5,620,666)	14,561,897
Elimination of inter-segment profits	-	-
Reportable segment (loss)/profit derived from Group's external customers	(5,620,666)	14,561,897
Share of profits of an associate	53,588	211,065
Net finance income	8,581,698	9,967,072
Unallocated corporate expenses	(1,810,427)	(2,670,463)
Consolidated profit before taxation	1,204,193	22,069,571

	At 31 December 2012 US$	At 31 December 2011 US$
Assets		
Reportable segment assets	87,354,403	93,364,355
Elimination of inter-segment receivables	(2,530,385)	(1,335,077)
	84,824,018	92,029,278
Investment in an associate	677,338	710,756
Investments and derivatives	3,095,496	3,015,000
Time deposits maturing after three months		
- current	65,425,866	45,204,411
Income tax recoverable	11,082	10,628
Cash and cash equivalents	54,885,605	65,896,469
Unallocated corporate assets	243,104	63,996
Consolidated total assets	209,162,509	206,930,538
Liabilities		
Reportable segment liabilities	38,497,748	30,738,061
Elimination of inter-segment payables	(2,530,385)	(1,335,077)
	35,967,363	29,402,984
Interest-bearing borrowings	-	410,549
Income tax payables	625,716	674,481
Unallocated corporate liabilities	667,134	1,023,528
Consolidated total liabilities	37,260,213	31,511,542

(ii) 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 associate.

	Revenues from external customers		Specified non-current assets	
	2012 *US$*	*2011* *US$*	*2012* *US$*	*2011* *US$*
Vietnam (place of domicile)	140,422,550	240,684,279	36,028,376	41,127,725
Other countries *	63,921,214	29,550,057	1,319	1,727
	204,343,764	270,234,336	36,029,695	41,129,452

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

3. PROFIT BEFORE TAXATION

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

(a) Net finance income

	2012	2011
	US$	*US$*
Interest income from banks	7,858,647	10,081,397
Net foreign exchange gains	731,485	-
Finance income	8,590,132	10,081,397
Interest paid and payable to banks	(8,434)	(29,672)
Net foreign exchange losses	-	(84,653)
Finance costs	(8,434)	(114,325)
	8,581,698	9,967,072

(b) Staff costs

	2012	2011
Salaries, wages and other benefits	10,800,131	12,992,153
Equity-settled share-based payment expenses	-	10,532
Contributions to defined contribution plans	843,660	757,782
Severance pay allowance	102,132	322,348
	11,745,923	14,082,815

(c) Other items

	2012	2011
Amortisation of lease prepayments/intangible assets	482,184	319,263
Depreciation of property, plant and equipment	7,644,343	8,173,209
Write-down of inventories	624,935	55,046
Impairment losses on property, plant and equipment	-	12,556
Operating lease of properties	906,574	884,801
Auditors' remuneration	401,772	472,851
Research and development expenses *(i)*	8,868,733	11,717,963
Technical consultancy fee	967,255	834,501
Warranty expenses	826,745	2,920,500
Equity-settled share-based payment expenses		
- employees of the Group	-	10,532
- employees of the ultimate holding company	-	7,506
Loss on disposal/write off of property, plant and equipment	37,703	-
Cost of inventories recognised as expenses *(ii)*	158,085,909	198,259,000

(i) 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 2012 (2011: US$Nil).

(ii) 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.

4. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	2012	**2011**
	US$	*US$*
Current tax		
- provision for the year	859,865	4,444,515
- under-provision in respect prior years	325,590	308,306
	1,185,455	4,752,821
Deferred tax		
-Origination and reversal of temporary differences	(726,033)	163,087
	459,422	4,915,908

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 2012.

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%.

5. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$744,771 (2011: US$17,153,663) and the weighted average of 907,680,000 ordinary shares (2011: 907,680,000 ordinary shares) in issue during the year.

(b) 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 2012 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

6. 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 2011	10,846,886	72,844,533	2,023,118	5,175,858	1,378,146	7,759,034	100,027,575
Additions	419,857	2,631,455	150,820	259,395	332,068	1,163,702	4,957,297
Transfer from assets under construction	4,675,047	1,135,057	-	2,154,258	-	(7,964,362)	-
Transfer to long term prepayments	-	-	-	-	-	(328,840)	(328,840)
Disposals	-	(1,140,371)	-	-	(192,845)	-	(1,333,216)
Written off	-	(240,778)	(25,355)	-	(9,355)	-	(275,488)
Effect of movements in exchange rates	(918,868)	(5,342,379)	(150,325)	(438,281)	(101,428)	(388,275)	(7,339,556)
At 31 December 2011	15,022,922	69,887,517	1,998,258	7,151,230	1,406,586	241,259	95,707,772
Additions	139,703	1,600,506	122,879	5,062	172,264	679,646	2,720,060
Transfer from assets under construction	-	557,033	-	-	-	(557,033)	-
Transfer to long-term prepayments	-	-	-	-	-	(58,391)	(58,391)
Disposals	-	(36,554)	(1,147)	-	(117,539)	-	(155,240)
Written off	-	(414,927)	(35,328)	-	-	-	(450,255)
Effect of movements in exchange rates	125,984	546,075	16,355	60,338	8,411	2,060	759,223
At 31 December 2012	15,288,609	72,139,650	2,101,017	7,216,630	1,469,722	307,541	98,523,169
Accumulated depreciation and impairment loss							
At 1 January 2011	3,979,252	48,789,563	1,328,088	4,219,636	896,257	-	59,212,796
Depreciation charge for the year	1,324,153	6,164,550	225,243	342,519	116,744	-	8,173,209
Impairment loss	-	12,556	-	-	-	-	12,556
Disposals	-	(1,140,371)	-	-	(168,043)	-	(1,308,414)
Written off	-	(229,665)	(24,110)	-	(8,209)	-	(261,984)
Effect of movements in exchange rates	(323,120)	(3,646,498)	(101,515)	(316,672)	(61,505)	-	(4,449,310)
At 31 December 2011	4,980,285	49,950,135	1,427,706	4,245,483	775,244	-	61,378,853
Depreciation charge for the year	896,691	6,065,476	201,605	348,195	132,376	-	7,644,343
Disposals	-	(4,571)	(191)	-	(48,739)	-	(53,501)
Written off	-	(414,927)	(34,427)	-	-	-	(449,354)
Effect of movements in exchange rates	47,956	468,131	30,901	35,954	24,089	-	607,031
At 31 December 2012	5,924,932	56,064,244	1,625,594	4,629,632	882,970	-	69,127,372
Net book value							
At 31 December 2012	9,363,677	16,075,406	475,423	2,586,998	586,752	307,541	29,395,797
At 31 December 2011	10,042,637	19,937,382	570,552	2,905,747	631,342	241,259	34,328,919

7. INVENTORIES

	The Group	
	2012	**2011**
	US$	*US$*
Raw materials	21,781,768	26,866,072
Tools and supplies	573,937	520,268
Work in progress	848,241	883,681
Finished goods	4,542,261	6,489,033
Merchandise inventories*	4,851,920	5,070,990
	32,598,127	39,830,044
Write-down of inventories	(654,207)	(334,882)
Net realisable value	31,943,920	39,495,162

* *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	158,085,909	198,259,000
Write-down of inventories	624,935	55,046
	158,710,844	198,314,046

Movements in allowance for inventory impairment were as follows:

At 1 January	334,882	1,146,993
Additions	624,935	55,046
Utilisation	(307,583)	(810,737)
Effect of movements in exchange rates	1,973	(56,420)
At 31 December	654,207	334,882

8. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	US$	*US$*	*US$*	*US$*
Trade receivables	4,864,000	3,457,357	-	-
Non-trade receivables	7,925,125	4,324,345	184,335	63,996
Prepayments	2,928,183	3,561,964	58,769	-
Amounts due from related parties				
- trade	523,848	115,699	-	-
- non-trade	118,208	1,693	24,500,000	24,500,000
	16,359,364	11,461,058	24,743,104	24,563,996

(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	
	2012	2011
	US$	*US$*
Within three months	5,331,427	3,551,802
More than three months but within one year	56,421	21,254
	5,387,848	3,573,056

9. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	2012	2011
	US$	*US$*	*US$*	*US$*
Trade payables	10,438,907	10,075,926	-	-
Other payables and accrued operating expenses	9,106,037	9,540,556	373,628	729,560
Advances from customers	2,149,084	1,494,302	-	-
Amounts due to related parties				
- trade	10,578,705	7,504,614	-	-
- non-trade	2,556,206	1,180	1,000	1,180
	34,828,939	28,616,578	374,628	730,740

(i) Trade payables

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

	The Group	
	2012	2011
	US$	*US$*
Within three months	20,810,216	17,502,961
More than three months but within one year	19,558	76,363
More than one year but within five years	187,838	1,216
	21,017,612	17,580,540

MANAGEMENT DISCUSSION & ANALYSIS

The Group is one of the leading manufacturers of scooters and cub motorbikes in Vietnam, its manufacturing and assembly operations are located in Dong Nai Province (near Ho Chi Minh City) and Hanoi of Vietnam with an annual production capacity of 360,000 motorbikes. Offering a wide range of models, the Group's motorbikes are sold under the SYM brand name. It also produces motorbike engines and parts for internal use and export as well as selling and providing services associated with moulds to make die-cast and forged metal parts.

Operating Environment

As global economic climate clouded with uncertainties in 2012, Vietnam encountered new challenges as well as opportunities of recovery of economy. While the negative impact of the global economic downturn was still lingering, Vietnam's economic development grew at a rate lower than generally expected. The gross domestic product (GDP) of Vietnam grew at a rate of 4.4% in the first half of 2012, and 5.35% and 5.44% respectively for the third and fourth quarters. The average economic growth rate for 2012 was 5.03% as compared with 5.85% and 6.78% for 2011 and 2010, it has been significantly lower than the average level in the past decade.

The Vietnamese government has adopted relatively stable monetary and fiscal policies in recent years, inflation has been whipped and the currency restores. The inflation rate was 6.8% for 2012 and the exchange rate for Vietnamese Dong against US$ has been maintained at a level of US$1 exchange for VND 20,840-20,880 during the year. However, slow GDP growth in Vietnam has encountered people to consume more prudently.

Vietnam's domestic motorbike industry experienced continuing growth over the past several years, which has led to continuous expansion plans by motorbike manufacturers. However, the growth of motorbike sales has slowed down recently. The number of motorbikes sold by foreign direct invest manufacturers in 2012 was approximately 3.1 million units, representing a decrease of 6.8% over the previous year.

Business Review

The market was highly competitive and challenging and the Group strived to improve its operational efficiency and implemented cost control in order to minimise the negative impacts arising from the slowdown of consumer spending. During the financial year of 2012, the costs of materials, components, wages and salaries increased considerably. The management opted for adjusting sales prices gradually and the products' profit margins shrank, this was further worsen by a drop of sales volume. In order to adapt to current market trends, the Group introduced new models featuring electronic fuel injection technology for quality upgrading and integration. Such technology offers outstanding advantages in fuel saving and environmental protection, but the addition of imported sophisticated components also added pressure to the overall cost.

For the year ended 31 December 2012, an aggregate of approximately 116,000 units (which comprised of approximately 77,000 units and 39,000 units of scooters and cubs respectively) were sold by the Group in Vietnam, representing a decrease of 46% over the same period of previous year. In the contrast, due to the increase in overseas markets demands, approximately 83,000 units were exported to ASEAN countries (mainly the Philippines, Malaysia, Singapore and Thailand), representing an increase of 90% over the comparative periods.

The Group strived in building its product sales network, aiming to achieve customer loyalty by constant expansion across Vietnam and implementing flexible marketing strategies. As of 31 December 2012, the Group's extensive distribution network comprised over 312 SYM-authorised stores owned by dealers, covering every province in Vietnam.

Financial Review

Revenue decreased by 24% from US$270.2 million for the year ended 31 December 2011 to US$204.3 million for the year ended 31 December 2012, and the Group's net profit after tax was US$0.7 million for the year ended 31 December 2012 as compared with US$17.2 million for the year ended 31 December 2011.

Revenue

Revenue of the Group for the year ended 31 December 2012 decreased to US$204.3 million from US$ US$270.2 million for the year ended 31 December 2011, representing an decrease of US$65.9 million or 24%. This decrease was due to a slowdown of economy and domestic spending in Vietnam during the year. The Group's overall sales quantities and sales quantities of motorbikes in Vietnam were 199,000 and 116,000 units respectively for the year ended 31 December 2012, representing decreases of 24% and 47% respectively over the comparative periods. Sales of scooters continued to be the Group's major profit driver, and the principal models were ATTILA- ELIZABETH、ELEGANT、ANGEL and JOYRIDE.

In terms of geographical contribution, approximately 69% of total sales were generated from the domestic market in Vietnam for the year ended 31 December 2012 as compared with 89% for the year ended 31 December 2011. Domestic sales in Vietnam decreased by 42% from US$240.7 million for the year ended 31 December 2011 to US$140.4 million for the year ended 31 December 2012. Due to the increase in the overseas markets demands, export sales increased 116% from US$29.5 million for the year ended 31 December 2011 to US$63.9 million for the year ended 31 December 2012. The quantity of engines exported increased by approximately 14,000 units from approximately 34,000 units for the year ended 31 December 2011 to approximately 48,000 units for the year ended 31 December 2012.

Cost of Sales

The Group's cost of sales decreased by 18%, from US$222.9 million for the year ended 31 December 2011 to US$181.0 million for the year ended 31 December 2012. Such decrease was primarily due to a drop of sales volume, which was partly offset by the increase of labour costs, materials and components sourced in Vietnam and particularly rising import costs of advance technology components like electronic fuel injection enginees. As a percentage of total revenue, the Group's cost of sales increased from 82% for the year ended 31 December 2011 to 89% for the year ended 31 December 2012.

Gross Profit and Gross Profit Margin

Owing to the increases of raw materials, components and labour costs and decrease of sale quantities as discussed above, the gross profit of the Group decreased significantly by 53%, from US$47.4 million for the year ended 31 December 2011 to US$22.3 million for the year ended 31 December 2012. The Group's gross profit margin has also decreased from 18% to 11% during the same comparative periods.

Distribution Expenses

The Group's distribution expenses decreased by 12% from US$16.2 million for the year ended 31 December 2011 to US$14.3 million for the year ended 31 December 2012. Such decrease was mainly due to the decreases in warranty, sales incentives and supporting fees to distributors attributed to sales drop but partly offset by an increase of advertising expenses for promotion and market expansion in a competitive market.

Technology Transfer Fees

The technology transfer fees decreased by 35%, from US$6.9 million for the year ended 31 December 2011 to US$4.5 million for the year ended 31 December 2012. Such decrease was largely due to a decrease in the sales volume of SYM- branded motorbikes particularly scooters.

Administrative Expenses

The Group's administrative expenses decreased by 14%, from US$12.9 million for the year ended 31 December 2011 to US$11.1 million for the year ended 31 December 2012, which account for 5% of the Group's total revenue for the year ended 31 December 2012. This was principally a consequence of reducing operating costs which was partly offset by the increase of staff salaries and related costs.

Results from Operating Activities

As a result of the factors discussed above, the Group's results from operating activities decreased by 162%, from a profit of US$11.9 million for the year ended 31 December 2011 to a loss of US$7.4 million for the year ended 31 December 2012.

Net Financial Income

The Group's net finance income decreased by 14%, from US$10.0 million for the year ended 31 December 2011 to US$8.6 million for the year ended 31 December 2012. Such decrease was mainly attributable to a decrease in the interest income amounted to US$2.2 million, particularly from deposits placed with banks in Vietnam which interest rates reduced from 14% in 2011 to 8% this yearend. Exchange gains arisen from fluctuation of the Vietnamese Dong against the US dollar for the year ended 31 December 2012 amounted to US$0.7 million as compared with exchange losses US$0.1 million for the year ended 31 December 2011 .

Profit for the Year and Profit Margin

As a result of the factors discussed above, the Group's profit after income tax for the year 2012 decreased by 96%, from US$17.2 million for the year ended 31 December 2011 to US$0.7 million for the year ended 31 December 2012, and the Group's net profit margin has decreased from 6% to 0.4%.

Liquidity and Financial Resources

As at 31 December 2012, the Group's net current assets amounted to US$134.5 million (31 December 2011: US$133.6 million) which consisted of current assets amounted to US$171.7 million (31 December 2011: US$165.1 million) and current liabilities amounted to US$37.2 million (31 December 2011: US$31.5 million).

As at 31 December 2012, the interest-bearing borrowings repayable within one year was nil (31 December 2011: US$0.4 million which was denominated in US$). As at 31 December 2012, the Group had no interest-bearing borrowings repayable beyond one year (31 December 2011: nil). As at 31 December 2011, the gearing ratio was 0% (31 December 2011: 0.2%) calculated by dividing total interest-bearing borrowings by total equity.

As at 31 December 2012, the cash and bank balances (including bank deposits), amounted to US$120.3 million, mainly including US$68.2 million which was denominated in Vietnamese Dong, US$36.1 million which was denominated in US$, US$15.4 million which was denominated in RMB and US$0.6 million which was denominated in NTD, HKD and IDR (31 December 2011: US$111.1 million, mainly including US$52.8 million which was denominated in Vietnamese Dong, US$51.6 million which was denominated in US$ and US$6.7 million which was denominated in RMB, NTD, HKD and IDR).

As at 31 December 2012, the Group had invested in wholly principal-protected US$ callable collared floating rate notes amounted to US$3.0 million (31 December 2011: US$3.0 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.

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.

Capital Commitments and Contingent Liabilities

As at 31 December 2012, the capital commitments of the Group in respect of relocation and construction of a new factory amounted to US$16.9 million which will all be settled with 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 2012.

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 2011, the Group had 2,083 employees (2011: 2,230). The total amount of salaries and related costs for the year ended 31 December 2011 amounted to US$11.7 million (2011: US$14.1 million).

Prospects

Vietnam, as an export-driven economy, will continue to be subject to the vicissitudes of the global market. As the United States and European economies appear to be on track to recovery, this would also benefit Vietnamese exports. The prospects for Vietnam's economy in 2013 will be full of variables under the complex international economic situation, but the Group has seen a glimmer of hope ahead and the recovery is expected to accelerate in 2013. The Group is optimistic that the motorbike industry in Vietnam will resume its growth momentum in a mid to long term. As for the major ASEAN countries, the Group expects the motorbike markets will also continue to maintain fast growth, driven by positive economic conditions in the respective markets.

The Group will continue its effort in reducing its operation costs, expanding its suppliers network and procurement sources, speeding up market penetration through its retail network and enhancing in-house research and development capabilities to introduce new electronic fuel injection technology, enhance products market recongition and cost effectiveness. The Group will also introduce several modified motorbike models to raise product price and profitability in Vietnam and ASEAN markets.

The new plant under construction in Hanoi is scheduled to commence operations by the end of 2014. The plan to redevelop the original plant site previously in Ha Tay province is currently under preliminary internal evaluation. The Group will monitor the situation cautiously and adjust our development plan accordingly under existing unfavorable conditions.

Maximising the shareholders value has always been the development ideology of the Group. By capturing the forthcoming opportunities in economic recovery, it is expected that the Group will benefit from the change in momentum of the economy. The management believes that the Group has a well diversified product range that is fitted to the market needs and is well equipped to face challenges from the market. Given the Group's top research and development capability and healthy financial position, the management maintains a positive attitude towards market growth in 2013 and coming years. To maintain our competitiveness in the market, the Group will focus more on our core business and technology development to improve product functionality and expand service dimensions to our customers. We will also continue to channel our resources to design and technology development in the high growth motorbike models. The Group will seize all available development opportunity to enhance long-term profitability and maximise returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the issuance of new shares in the IPO by the Company in December 2007, net of listing expenses, were approximately US$76.7 million. As at 31 December 2012, the net proceeds were utilized in the following manner:

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 31 December 2012 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	1.9	44.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	22.0	54.7

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

CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2012, the Company has complied with the applicable code provisions as set out in the Code on Corporate Governance Practice (which has been amended and modified as the Corporate Governance Code and Corporate Governance Report with effect from 1 April 2012) (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") at the relevant times, except for the following deviation:

Paragraph A.5 of the Code provides that an issuer should establish a nomination committee with specific written terms of reference for the following duties: (i) review the structure, size and composition of the Board, (ii) select and nominate individuals to be appointed as directors, (iii) assess the independence of independent non-executive directors, and (iv) make recommendation to the Board on the appointment or reappointment of directors and succession planning for directors. The Company has not set up a nomination committee as all major decisions regarding the Board composition and its members are made in consultation with the Board in which all directors of the Company will participate in the process and perform the duties of a nomination committee as contemplated in the Code. The Board considers that it is not necessary to establish a nomination committee given that the current arrangements meet the objective of the Code.

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 2012.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2012 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.

ANNUAL GENERAL MEETING AND BOOK CLOSURE FOR ENTITLEMENT OF ATTENDING THE MEETING

It is proposed that an annual general meeting will be held on 31 May 2013. Notice of the annual general meeting will be published and issued to the Shareholders in due course. For determining the entitlement to attend and vote in the annual general meeting, the register of members of the Company will be closed from 29 May 2013 to 31 May 2013 (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 28 May 2013.

PROPOSED FINAL DIVIDEND

Since the economic conditions in Vietnam will remain uncertain, the Company will 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 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2012, 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 2012 of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

Finally, we would like to express our gratitude to the Shareholders and the suppliers and customers of the Group for their unwavering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

By order of the Board
Vietnam Manufacturing and Export Processing (Holdings) Limited
Chou Ken Yuan
Chairman

Hong Kong, 4 March 2013

As at the date of this announcement, the board of directors of the Company (the "Directors") comprised four executive Directors, namely Mr. Chou Ken Yuan, Mr. Wang Ching Tung, Mr. Chen Chung Long and Mr. Yu Wen Lung, two non-executive Directors, namely Mr. Chiang Shih Huang and Mr. Chiu Ying Feng, and three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong 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).